



Health Care District
PALM BEACH COUNTY

Annual Financial Report

For the Fiscal Year Ended September 30, 2021



Dedicated to the health of our community

Health Care District of Palm Beach County, Florida

Annual Financial Report
September 30, 2021

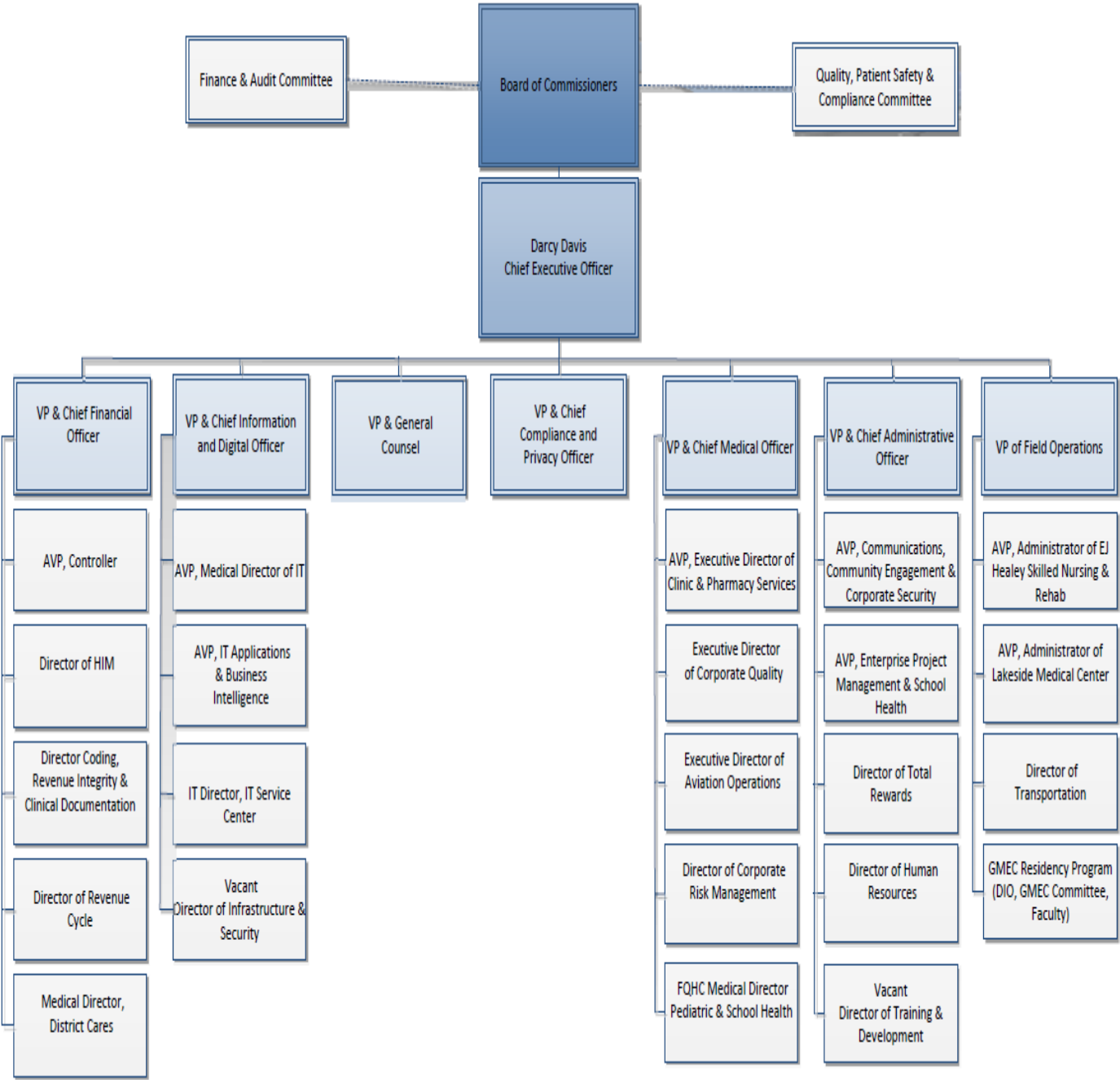
Prepared by
Finance Department



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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
Secretary	Sean O'Bannon
Board Member	Alina Alonso, MD
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	James Elder
Committee Member	Sharon Larson
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 (Board member)
Committee Member	Sophia Eccleston
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	Bernabe Icaza
VP & Chief Financial Officer	Candice Abbott
VP & Chief Medical Officer	Belma Andric, MD
VP of Field Operations	Karen Harris
VP & Chief Administrative Officer	Steven Hurwitz
VP & Chief Compliance Officer	Heather Bokor
VP & Chief Information and Digital Officer	Patty Lavelly



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Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the District, as of September 30, 2021, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the District adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. The beginning net position of the aggregate remaining fund information as of October 1, 2020, has been restated. Our opinion is not modified with respect to this matter.

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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022, 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
March 9, 2022



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Basic Financial Statements

Health Care District of Palm Beach County, Florida

**Statement of Net Position
September 30, 2021**

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Good Health Foundation, Inc.
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 44,269,986	\$ 3,386,383	\$ 47,656,369	\$ 477,895
Investments	111,744,419	-	111,744,419	-
Accounts receivable, net	1,660,995	6,702,838	8,363,833	-
Due from other governments	5,750,109	5,093,070	10,843,179	-
Inventories	32,405	900,511	932,916	-
Estimated third-party payor receivable	-	2,996,922	2,996,922	-
Prepaid expenses and other current assets	6,357,822	716,606	7,074,428	-
Restricted cash	-	1,508,855	1,508,855	-
Capital assets:				
Capital assets not being depreciated	16,833,520	4,266,295	21,099,815	-
Depreciable capital assets, net of accumulated depreciation	24,267,623	50,117,855	74,385,478	-
Total assets	\$ 210,916,879	\$ 75,689,335	\$ 286,606,214	\$ 477,895
Deferred Outflows of Resources				
Deferred outflows related to pensions and OPEB	\$ 133,522	\$ 129,963	\$ 263,485	\$ -
Liabilities				
Accounts payable	\$ 6,927,007	\$ 1,579,698	\$ 8,506,705	\$ 2,729
Accrued expenses	4,049,417	6,257,939	10,307,356	-
Medical benefits payable	2,411,723	-	2,411,723	-
Unearned revenue	2,502,748	767,316	3,270,064	-
Estimated third-party payor settlements	737,072	55,857	792,929	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	743,412	971,294	1,714,706	-
Estimated self-insured liability	1,931,682	533,552	2,465,234	-
Deferred rent	-	10,352	10,352	-
Due in more than one year:				
Due to other governments	523,895	-	523,895	-
Compensated absences	2,789,845	3,645,032	6,434,877	-
Estimated self-insured liability	-	298,051	298,051	-
Other post-employment benefits	372,871	353,699	726,570	-
Net pension liability	-	105,755	105,755	-
Other long-term liabilities	-	148,008	148,008	-
Total liabilities	\$ 22,989,672	\$ 14,726,553	\$ 37,716,225	\$ 2,729
Deferred Inflows of Resources				
Deferred inflows related to pensions and OPEB	\$ 6,229	\$ 241,681	\$ 247,910	\$ -
Net Position				
Net investment in capital assets	\$ 41,101,143	\$ 54,384,150	\$ 95,485,293	\$ -
Restricted for:				
Statutory reserves	-	1,500,000	1,500,000	-
Donor-restricted contributions	-	8,855	8,855	432,424
Unrestricted	146,953,357	4,958,059	151,911,416	42,742
Total net position	\$ 188,054,500	\$ 60,851,064	\$ 248,905,564	\$ 475,166

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, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 53,737,531	\$ 8,881,999	\$ 12,919,161	\$ -
Managed care	15,862,364	2,121,670	-	-
Trauma services	16,446,512	2,201,432	-	-
School health	22,524,544	3,015,005	-	-
Pharmacy services	4,728,640	638,096	-	-
Funding collaboratives	11,352,063	1,515,478	-	-
Total governmental activities	124,651,654	18,373,680	12,919,161	-
Business-type activities:				
Healey Center	23,699,558	8,972,318	9,322,045	201,648
Lakeside Medical Center	57,950,421	33,233,208	16,940,913	1,031,966
Primary Care Clinics	36,477,049	10,796,049	12,807,290	-
Total business-type activities	118,127,028	53,001,575	39,070,248	1,233,614
Total primary government	\$ 242,778,682	\$ 71,375,255	\$ 51,989,409	\$ 1,233,614
Component unit:				
Good Health Foundation	\$ 10,765	\$ -	\$ -	\$ -

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 Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Good Health Foundation, Inc.
\$ (31,936,371)	\$ -	\$ (31,936,371)	\$ -
(13,740,694)	-	(13,740,694)	-
(14,245,080)	-	(14,245,080)	-
(19,509,539)	-	(19,509,539)	-
(4,090,544)	-	(4,090,544)	-
(9,836,585)	-	(9,836,585)	-
(93,358,813)	-	(93,358,813)	-
-	(5,203,547)	(5,203,547)	-
-	(6,744,334)	(6,744,334)	-
-	(12,873,710)	(12,873,710)	-
-	(24,821,591)	(24,821,591)	-
\$ (93,358,813)	\$ (24,821,591)	\$ (118,180,404)	\$ -

\$ (10,765)

147,405,533	-	147,405,533	-
1,984,960	30,736	2,015,696	37,808
(31,841,852)	31,841,852	-	-
117,548,641	31,872,588	149,421,229	37,808
24,189,828	7,050,997	31,240,825	27,043
163,864,672	53,800,067	217,664,739	448,123
\$ 188,054,500	\$ 60,851,064	\$ 248,905,564	\$ 475,166

Health Care District of Palm Beach County, Florida

Governmental Funds Balance Sheet September 30, 2021

	Major Funds			Total
	General	Medicaid	Capital	Governmental
	Fund	Match Fund	Projects Fund	Funds
Assets				
Cash and cash equivalents	\$ 34,718,441	\$ 117,376	\$ 5,491,481	\$ 40,327,298
Investments	111,744,419	-	-	111,744,419
Patient accounts receivable, net	1,660,995	-	-	1,660,995
Due from other governments	5,258,443	491,666	-	5,750,109
Inventories	32,405	-	-	32,405
Prepaid items and other current assets	5,907,822	-	-	5,907,822
Total assets	\$ 159,322,525	\$ 609,042	\$ 5,491,481	\$ 165,423,048
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,657,918	\$ -	\$ 269,089	\$ 6,927,007
Accrued expenditures	4,049,417	-	-	4,049,417
Medical benefits payable	2,411,723	-	-	2,411,723
Unearned revenue	2,502,748	-	-	2,502,748
Estimated third-party payor settlements	737,072	-	-	737,072
Due to other governments	523,895	-	-	523,895
Total liabilities	16,882,773	-	269,089	17,151,862
Deferred inflows – unavailable revenues	468,297	-	-	468,297
Fund balances:				
Nonspendable:				
Inventories	32,405	-	-	32,405
Prepaid items	5,369,481	-	-	5,369,481
Assigned to:				
Subsequent year's budget	51,900,000	-	-	51,900,000
Capital projects	-	-	5,222,392	5,222,392
Medicaid match	-	609,042	-	609,042
Unassigned	84,669,569	-	-	84,669,569
Total fund balances	141,971,455	609,042	5,222,392	147,802,889
Total liabilities and fund balances	\$ 158,854,228	\$ 609,042	\$ 5,491,481	

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

41,101,143

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 (3,533,257)
Other post-employment benefit (OPEB) liabilities (372,871)
Net deferred outflows for pensions and OPEB 127,293

Receivables not available to pay for current period expenditures are reported as unavailable revenue in the funds

468,297

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

2,461,006

Total net position related to governmental activities

\$ 188,054,500

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, 2021

	Major Funds			Total
	General	Medicaid	Capital	Governmental
	Fund	Match Fund	Projects Fund	Funds
Revenues:				
Ad valorem taxes	\$ 147,405,533	\$ -	\$ -	\$ 147,405,533
Intergovernmental	9,244,601	5,900,000	-	15,144,601
Charges for services	2,421,275	-	-	2,421,275
Investment and other income	1,983,344	26	1,590	1,984,960
Total revenues	161,054,753	5,900,026	1,590	166,956,369
Expenditures:				
Current:				
General government	24,222,901	17,269,932	-	41,492,833
Managed care	13,654,247	-	-	13,654,247
Trauma services	14,155,383	-	-	14,155,383
School health	19,386,693	-	-	19,386,693
Pharmacy services	4,064,546	-	-	4,064,546
Funding collaboratives	9,774,837	-	-	9,774,837
Capital outlay	-	-	25,068,947	25,068,947
Total expenditures	85,258,607	17,269,932	25,068,947	127,597,486
Revenues over (under) expenditures	75,796,146	(11,369,906)	(25,067,357)	39,358,883
Other financing sources (uses):				
Transfers in	-	11,369,906	3,210,005	14,579,911
Transfers out	(46,421,763)	-	-	(46,421,763)
Total other financing sources (uses)	(46,421,763)	11,369,906	3,210,005	(31,841,852)
Net change in fund balances	29,374,383	-	(21,857,352)	7,517,031
Fund balances—beginning	112,597,072	609,042	27,079,744	140,285,858
Fund balances—ending	<u>\$ 141,971,455</u>	<u>\$ 609,042</u>	<u>\$ 5,222,392</u>	<u>\$ 147,802,889</u>

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, 2021**

Net change in governmental fund balances	\$	7,517,031
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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	\$	23,434,863	
Less current year depreciation		<u>(2,863,075)</u>	20,571,788

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.

(2,225,445)

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.

(1,015,792)

Other postemployment benefits (OPEB):

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

13,096

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

(20,871)

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

(649,979)

Change in net position of governmental activities	\$	<u><u>24,189,828</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, 2021

	Business-Type Activities—Enterprise Funds					Governmental
	Major Funds		Nonmajor Fund			Activities
	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	\$ 1,837,920	\$ 121,911	\$ 11,447	\$ 1,415,105	\$ 3,386,383	\$ 3,942,688
Patient accounts receivable, net	780,055	4,233,778	1,689,005	-	6,702,838	-
Due from other governments	758,333	102,193	4,232,544	-	5,093,070	-
Inventories	-	900,511	-	-	900,511	-
Estimated third-party payor receivable	-	2,996,922	-	-	2,996,922	-
Prepaid expenses and other current assets	62,599	399,967	206,852	47,188	716,606	450,000
Total current assets	3,438,907	8,755,282	6,139,848	1,462,293	19,796,330	4,392,688
Noncurrent assets:						
Restricted cash	8,855	-	-	1,500,000	1,508,855	-
Capital assets:						
Land	3,971,465	-	-	-	3,971,465	-
Construction in progress	-	294,830	-	-	294,830	-
Depreciable capital assets, net of accumulated depreciation	13,281,020	34,022,665	2,814,170	-	50,117,855	-
Total noncurrent assets	17,261,340	34,317,495	2,814,170	1,500,000	55,893,005	-
Total assets	\$ 20,700,247	\$ 43,072,777	\$ 8,954,018	\$ 2,962,293	\$ 75,689,335	\$ 4,392,688
Deferred Outflows of Resources						
Deferred outflows related to pensions and OPEB	\$ 100,311	\$ 11,716	\$ 17,936	\$ -	\$ 129,963	\$ -
Liabilities						
Current liabilities:						
Accounts payable	\$ 169,953	\$ 1,184,773	\$ 224,972	\$ -	\$ 1,579,698	\$ -
Accrued salaries and benefits	1,651,181	2,419,793	2,186,965	-	6,257,939	-
Unearned grant revenue	-	15,601	751,715	-	767,316	-
Estimated third-party payor settlements	55,857	-	-	-	55,857	-
Accrued compensated absences	241,629	420,052	309,613	-	971,294	-
Estimated self-insured liability	53,681	477,284	2,587	-	533,552	1,931,682
Deferred rent	-	2,077	8,275	-	10,352	-
Total current liabilities	2,172,301	4,519,580	3,484,127	-	10,176,008	1,931,682
Noncurrent liabilities:						
Accrued compensated absences, less current portion	906,776	1,576,352	1,161,904	-	3,645,032	-
Estimated self-insured liability, less current portion	43,478	253,200	1,373	-	298,051	-
Other long-term liabilities	-	17,973	130,035	-	148,008	-
Other postemployment benefits liabilities (OPEB)	125,752	153,030	74,917	-	353,699	-
Net pension liability	105,755	-	-	-	105,755	-
Total Noncurrent liabilities	1,181,761	2,000,555	1,368,229	-	4,550,545	-
Total liabilities	\$ 3,354,062	\$ 6,520,135	\$ 4,852,356	\$ -	\$ 14,726,553	\$ 1,931,682
Deferred Inflows of Resources						
Deferred inflows related to pensions and OPEB	\$ 224,538	\$ 14,966	\$ 2,177	\$ -	\$ 241,681	\$ -
Net Position						
Net investment in capital assets	\$ 17,252,485	\$ 34,317,495	\$ 2,814,170	\$ -	\$ 54,384,150	\$ -
Restricted for statutory reserves	-	-	-	1,500,000	1,500,000	-
Restricted for donor contributions	8,855	-	-	-	8,855	-
Unrestricted (deficit)	(39,382)	2,231,897	1,303,251	1,462,293	4,958,059	2,461,006
Total net position	\$ 17,221,958	\$ 36,549,392	\$ 4,117,421	\$ 2,962,293	\$ 60,851,064	\$ 2,461,006

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, 2021

	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	\$ 8,959,332	\$ 33,057,297	\$ 10,717,965	\$ -	\$ 52,734,594	\$ -
Charges for services	-	-	-	-	-	15,952,405
Other operating revenues, net	12,986	175,911	78,084	-	266,981	-
Total operating revenues	8,972,318	33,233,208	10,796,049	-	53,001,575	15,952,405
Operating expenses:						
General services	8,656,105	5,025,487	2,005,906	-	15,687,498	-
Nursing services	10,988,213	15,122,690	-	-	26,110,903	-
Medical services	754,119	9,285,823	24,226,146	-	34,266,088	-
Insurance claims, net of recoveries	-	-	-	-	-	16,167,752
General and administrative services	2,348,922	25,359,008	9,866,559	-	37,574,489	434,632
Depreciation	952,199	3,157,413	378,438	-	4,488,050	-
Total operating expenses	23,699,558	57,950,421	36,477,049	-	118,127,028	16,602,384
Operating loss	(14,727,240)	(24,717,213)	(25,681,000)	-	(65,125,453)	(649,979)
Nonoperating revenues (expenses):						
Grant revenue	9,100,000	344,053	12,807,290	-	22,251,343	-
Cares Act revenue	222,045	16,596,860	-	-	16,818,905	-
Investment income	607	4,554	-	-	5,161	-
Income (loss) on disposal of capital assets	(257)	26,682	(850)	-	25,575	-
Total nonoperating revenues	9,322,395	16,972,149	12,806,440	-	39,100,984	-
Loss before capital contributions and transfers	(5,404,845)	(7,745,064)	(12,874,560)	-	(26,024,469)	(649,979)
Capital contributions	201,648	1,031,966	-	-	1,233,614	-
Transfers in	3,744,304	12,327,622	15,769,926	-	31,841,852	-
Net (decrease) increase in net position	(1,458,893)	5,614,524	2,895,366	-	7,050,997	(649,979)
Total net position—beginning	18,680,851	30,934,868	1,222,055	2,962,293	53,800,067	3,110,985
Total net position—ending	\$ 17,221,958	\$ 36,549,392	\$ 4,117,421	\$ 2,962,293	\$ 60,851,064	\$ 2,461,006

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Proprietary Funds

Statement of Cash Flows

Fiscal Year Ended September 30, 2021

	Business-Type Activities—Enterprise Funds					Governmental
	Major Funds		Nonmajor fund		Total	Activities
	Healey Center Fund	Lakeside Medical Center Fund	Primary Care Clinics Fund	Healthy Palm Beaches Fund		Health Insurance Internal Service Fund
Cash flows from operating activities:						
Receipts from patients, third-party payors, and other funds	\$ 8,971,375	\$ 27,169,097	\$ 11,507,883	\$ -	\$ 47,648,355	\$ 16,220,923
Payments to employees	(8,088,454)	(25,266,865)	(23,625,846)	-	(56,981,165)	-
Payments to suppliers and service providers	(14,118,141)	(29,211,522)	(17,781,991)	-	(61,111,654)	(16,602,384)
Other receipts	12,986	175,913	78,084	-	266,983	-
Net cash used in operating activities	(13,222,234)	(27,133,377)	(29,821,870)	-	(70,177,481)	(381,461)
Cash flows from noncapital financing activities:						
Grants received	9,100,000	344,053	13,543,188	-	22,987,241	-
Cares Act funding	222,045	-	-	-	222,045	-
Transfers in from other funds	3,744,304	12,327,622	15,769,926	-	31,841,852	-
Net cash provided by noncapital financing activities	13,066,349	12,671,675	29,313,114	-	55,051,138	-
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	(33,005)	(134,595)	-	(167,600)	-
Payments of principal and interest on capital leases	-	(10,435)	-	-	(10,435)	-
Proceeds from sale of capital assets	-	33,005	-	-	33,005	-
Net cash used in capital and related financing activities	-	(10,435)	(134,595)	-	(145,030)	-
Cash flows from investing activities:						
Interest earnings received	607	4,554	-	-	5,161	-
Net cash provided by investing activities	607	4,554	-	-	5,161	-
Net decrease in cash and cash equivalents	(155,278)	(14,467,583)	(643,351)	-	(15,266,212)	(381,461)
Cash and cash equivalents—beginning	2,002,053	14,589,494	654,798	2,915,105	20,161,450	4,324,149
Cash and cash equivalents—ending	\$ 1,846,775	\$ 121,911	\$ 11,447	\$ 2,915,105	\$ 4,895,238	\$ 3,942,688
Cash and cash equivalents	\$ 1,837,920	\$ 121,911	\$ 11,447	\$ 1,415,105	\$ 3,386,383	\$ 3,942,688
Restricted cash	8,855	-	-	1,500,000	1,508,855	-
Total cash and cash equivalents	\$ 1,846,775	\$ 121,911	\$ 11,447	\$ 2,915,105	\$ 4,895,238	\$ 3,942,688

(Continued)

Health Care District of Palm Beach County, Florida

Proprietary Funds

Statement of Cash Flows (Continued)

Fiscal Year Ended September 30, 2021

	Business-Type Activities—Enterprise Funds					Governmental Activities	
	Major Funds		Nonmajor Fund		Total	Health Insurance Internal Service Fund	
	Healey Center Fund	Lakeside Medical Center Fund	Primary Care Clinics Fund	Healthy Palm Beaches Fund			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (14,727,240)	\$ (24,717,213)	\$ (25,681,000)	\$ -	\$ (65,125,453)	\$	(649,979)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:							
Provision for bad debts	-	7,052,852	3,099,161	-	10,152,013	-	-
Depreciation	952,199	3,157,413	378,438	-	4,488,050	-	-
Changes in assets and liabilities:							
Patient accounts receivable	12,136	(8,104,178)	(2,979,393)	-	(11,071,435)	-	-
Due from other governments	-	-	-	-	-	-	-
Inventories	-	(234,231)	-	-	(234,231)	-	-
Estimated third-party payor receivable	-	(2,996,922)	-	-	(2,996,922)	-	-
Prepaid expenses and other current assets	5,283	95,207	(37,247)	-	63,243	-	-
Accounts payable	(23,535)	(250,483)	(412,646)	-	(686,664)	-	-
Accrued salaries and benefits	609,745	764,043	522,449	-	1,896,237	-	-
Due to other funds	-	-	(5,375,000)	-	(5,375,000)	-	-
Unearned grant revenue	-	-	670,150	-	670,150	-	-
Estimated third-party payor receivables and liabilities	(93)	(1,839,953)	-	-	(1,840,046)	-	-
Accrued compensated absences	(12,428)	39,935	63,446	-	90,953	-	-
Estimated self-insured liability	(8,635)	(93,353)	(79,607)	-	(181,595)	268,518	-
OPEB and related deferred inflows/outflows	5,102	(6,060)	10,450	-	9,492	-	-
Net pension liability and related deferred inflows/outflows	(34,768)	-	3,966	-	(30,802)	-	-
Other current liabilities	-	(434)	-	-	(434)	-	-
Deferred rent	-	-	(5,037)	-	(5,037)	-	-
Net cash used in operating activities	\$ (13,222,234)	\$ (27,133,377)	\$ (29,821,870)	\$ -	\$ (70,177,481)	\$	(381,461)
Supplemental disclosure of noncash capital and related financing activities:							
Capital assets contributed by the District	\$ 201,648	\$ 1,031,966	\$ -	\$ -	\$ 1,233,614	\$	-

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Fiduciary Funds

Statement of Fiduciary Net Position

September 30, 2021

	Custodial Funds	
	Local Provider Participation Fund	Resident Fund
Assets		
Cash and cash equivalents	\$ -	\$ 91,616
Direct program assessments receivable	65,958,514	-
Total assets	<u>\$ 65,958,514</u>	<u>\$ 91,616</u>
Liabilities		
Direct program assessments payable	<u>65,958,514</u>	<u>-</u>
Net Position		
Restricted for:		
Individuals and other governments	-	91,616
Total net position	<u>\$ -</u>	<u>\$ 91,616</u>

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Fiscal Year Ended September 30, 2021

	Custodial Funds	
	Local Provider Participation Fund	Resident Fund
Additions:		
Direct payment assessments collected for other governments	\$ 65,958,514	\$ -
Collections from residents	-	590,649
Total additions	65,958,514	590,649
Deductions:		
Payments of assessments to Palm Beach County	65,958,514	-
Distribution to residents	-	569,492
Total deductions	65,958,514	569,492
Increase in net position	-	21,157
Net position – beginning, as restated (see Note 12)	-	70,459
Net position – ending	\$ -	\$ 91,616

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

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. 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.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 creates a financial burden for the District, as it is financially dependent on the District. The District also provides administrative support functions to Lakeside. 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.

Discretely presented component unit: The primary government financial statements do not include the operations of Good Health Foundation, Inc. (the Foundation), 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 <https://www.hcdpbc.org/resources/financials>

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.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. 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: These 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.

The District reports the following fiduciary funds:

Resident Custodial Fund: This fund is used to account for assets held by the District on behalf of residents at the Healey Center.

Local Provider Participation Custodial Fund: This fund accounts for Directed Payment Program (DPP) assessments that the District bills and collects on behalf of Palm Beach County. The DPP is a non-ad valorem special assessment that is charged solely to private hospitals.

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.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The government-wide, proprietary fund and fiduciary 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. 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.

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 2021 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."

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

- (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.
- (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 three years 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 "AAA_m" 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 "AAA" by a NRSRO, up to a maximum of 25% of available funds and a maximum of 10% 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.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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 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. 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, 2021, 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 and the Foundation had donor-restricted contributions of \$8,855 and \$432,424, respectively, at year-end.

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 year-end.

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 year-end.

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, 2021, 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 \$210.8 billion. For the year ended September 30, 2021, 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, 2021, consisted of the following:

Healey Center Fund:

Managed Care Medicaid and Medicare	\$ 7,853,336
Insurance, private-pay and other revenue	1,105,996
	<u>8,959,332</u>

Lakeside Medical Center Fund:

Medicare and Medicaid revenue	13,348,177
Disproportionate share distributions	1,655,411
Insurance, private-pay and other revenue	18,053,709
	<u>33,057,297</u>

Primary Care Clinics Fund:

Medicare and Medicaid revenue	379,328
Insurance, private-pay and other revenue	10,338,637
	<u>10,717,965</u>
Total net patient service revenues	<u>\$ 52,734,594</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. See Note 11 for disclosures on settlements and related costs related to third-party payors.

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. As part of operating under the Medicare program, 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 the program. 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, 2021, will be filed in fiscal year 2022. Management evaluated the estimated settlements, and no liability is reasonably expected. 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.

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. 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 2021, 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, 2021, the base rate was increased to \$176.45.

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, 2021, Lakeside was not assessed for these programs and its total disproportionate share distributions was approximately \$1,655,000, 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, 2021, the Clinics had grant receivables of approximately \$3,695,000, of which, approximately 84% 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, 2021, 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 PHSSEF Funding: During the years ended September 30, 2021 and 2020, the District received approximately \$222,045 and \$26,673,002, respectively, in payments through the Public Health and Social Services Emergency Fund (the PHSSEF) in both general and targeted distributions which qualified as reimbursement for lost revenue and incremental expenses. In fiscal years 2021 and 2020, the District recognized \$16,818,905 and \$10,076,142, respectively, in CARES Act funding revenues 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 revenue 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.

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.

Recent accounting pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Effective October 1, 2020, the District adopted this Statement and it resulted in a restatement of the financial statements (see Note 12).

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. 87, *Leases*, was issued June 2017. This Statement improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement will be effective for the District beginning with its year ending September 30, 2022.

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.

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 and were adopted by the District for the fiscal year ended September 30, 2021.

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, 2021:

	Primary Government		Fiduciary Funds
	Unrestricted	Restricted	
Deposits with financial institutions	\$ 15,089,398	\$ -	\$ 91,616
Intergovernmental investment pool	32,428,166		
Money market mutual funds	138,804		-
Deposits with financial institutions restricted for donor contributions	-	8,855	-
Deposits with the State of Florida	-	1,500,000	-
Total	<u>\$ 47,656,368</u>	<u>\$ 1,508,855</u>	<u>\$ 91,616</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 funds and intergovernmental investment pool securities that are available to the District on a next day basis. Restricted cash and cash equivalents are comprised of HPB's statutory reserve of \$1.5 million deposited with the State of Florida and bank deposits of \$8,855 of 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 \$228,000. 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, 2021:

Investments	Primary Government Unrestricted
U.S. Treasury Notes	\$ 56,150,936
U.S. government federal instrumentalities	42,963,097
Corporate notes	11,177,998
Municipal bonds	1,452,388
	<u>\$ 111,744,419</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. Treasury Notes	\$ 56,150,936	\$ 56,150,936	2.41
U.S. government federal instrumentalities	42,963,097	42,963,097	1.96
Corporate notes	11,177,998	11,177,998	2.23
Municipal bonds	1,452,388	1,452,388	2.75
Total investment at fair value	<u>111,744,419</u>	<u>\$ 111,744,419</u>	2.22
Cash equivalents:			
Intergovernmental investment pool – reported at net asset value (NAV)	<u>32,428,166</u>		0.14
Total cash equivalents and Investments	<u>\$ 144,172,585</u>		
		Portfolio weighted-average to maturity	<u>1.75</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 \$32,428,166 invested with FLCLASS as of September 30, 2021. 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.

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, 2021, 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. Treasury Notes	\$ 56,150,936	\$ 9,706,023	\$ 46,444,913
U.S. government federal instrumentalities	42,963,097	10,195,155	32,767,942
Corporate notes	11,177,998	2,656,668	8,521,330
Municipal bonds	1,452,388	-	1,452,388
Intergovernmental investment pool	32,428,166	32,428,166	-
Total	<u>\$ 144,172,585</u>	<u>\$ 54,986,012</u>	<u>\$ 89,186,573</u>

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
Corporate Notes	\$ 634,387	AAA	1%
Corporate Notes	1,392,563	AA-	1%
Corporate Notes	2,058,960	A+	1%
Corporate Notes	2,790,580	AA+	2%
Corporate Notes	4,301,508	AA+	3%
Fannie Mae Notes	6,826,783	AA+	5%
Federal Farm Credit Notes	10,522,864	AA+	7%
Federal Home Loan Banks	13,467,567	AAAm	9%
Federal Home Loan Mortgage Corp	11,303,459	AA+	8%
Federal Home Loan Mortgage Corp. Callable	842,424	AA+	1%
Municipal Bonds	1,452,388	AA	1%
Intergovernmental investment pool	32,428,166	AAAm	22%
U.S. Treasury Notes	56,150,936	AA+	39%
Total	<u>\$ 144,172,585</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 gross accounts receivable provided by Medicare and Medicaid, patients and insurance and others was approximately 24%, 32% and 43%, respectively. The accounts receivable and related allowances for contractual discounts and allowances for doubtful accounts are summarized as follows:

Fund	Accounts Receivable, Gross	Allowances for Contractual Discounts	Allowances for Doubtful Accounts	Accounts Receivable, Net
General Fund	\$ 10,505,590	\$ (4,373,938)	\$ (4,470,657)	\$ 1,660,995
Healey Center	787,235	-	(7,180)	780,055
Lakeside Medical Center	35,897,898	(20,981,316)	(10,682,804)	4,233,778
Primary Care Clinics	5,264,071	(1,232,636)	(2,342,430)	1,689,005
Total	<u>\$ 52,454,794</u>	<u>\$ (26,587,890)</u>	<u>\$ (17,503,071)</u>	<u>\$ 8,363,833</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, 2021, are summarized as follows:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ -	\$ 46,421,763
Medicaid Match Fund	11,369,906	-
Capital Projects Fund	3,210,005	-
Enterprise funds:		
Healey Center Fund	3,744,304	-
Lakeside Medical Center Fund	12,327,622	-
Primary Care Clinics	15,769,926	
Total	<u>\$ 46,421,763</u>	<u>\$ 46,421,763</u>

During 2021 the General Fund transferred approximately \$11,370,000 to the Medicaid Match Fund for costs associated with the Medicaid Match Program. The General Fund transferred approximately \$3,210,000 to the Capital Projects Fund to be used for future capital purchases and for the continued implementation of a new District-wide software system and approximately \$3,744,000 to the Healey Center Fund, \$15,770,000 to the Primary Care Clinics and \$12,328,000 to the Lakeside Medical Center Fund to subsidize the operations of those funds.

Note 5. Related Party Transactions

Lakeside

Lakeside received approximately \$188,000 in net patient service revenues from the District for the year ended. Lakeside also received capital contributions of approximately \$1,032,000 representing capital assets placed in service that were purchased by the Capital Projects Fund.

The District allocated certain support department costs to Lakeside, including personnel, purchasing, information technology, legal and administrative costs. Beginning in fiscal year 2021, the District began allocating Epic implementation costs to Lakeside which resulted in additional overhead and supporting information technology costs. The total District allocated costs charged to expense by Lakeside were approximately \$9,065,000 for the year ended September 30, 2021.

Clinics

The District allocated certain support department costs to the Clinics, including personnel, purchasing, information technology, legal and administrative costs. Beginning in fiscal year 2021, the District began allocating Epic implementation costs to the Clinics which resulted in additional overhead and supporting information technology costs. The total District allocated costs charged to expense by the Clinics were approximately \$7,787,000 for the year ended September 30, 2021.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 5. Related Party Transactions (Continued)

Healey Center

The Healey Center received capital contributions of approximately \$202,000 representing capital assets placed in service that were purchased by the Capital Projects Fund. The District allocated approximately \$2,955,000 to the Healey Center for certain support department costs, including personnel, purchasing, legal and administrative costs for the year ended.

Note 6. Capital Assets

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

	Balance September 30, 2020	Transfers and Additions	Transfers and Deletions	Balance September 30, 2021
Governmental activities:				
Nondepreciable capital assets:				
Construction in progress	\$ 15,480,529	\$ 10,262,100	\$ (8,909,109)	\$ 16,833,520
Depreciable capital assets:				
Buildings and improvements	4,724,187	-	-	4,724,187
Air ambulances	13,986,108	-	-	13,986,108
Furniture, fixtures and equipment	8,344,915	22,081,872	-	30,426,787
Total depreciable capital assets	27,055,210	22,081,872	-	49,137,082
Less accumulated depreciation:				
Buildings and improvements	(2,891,830)	(262,597)	-	(3,154,427)
Air ambulances	(13,898,776)	(30,878)	-	(13,929,654)
Furniture, fixtures and equipment	(5,215,778)	(2,569,600)	-	(7,785,378)
Total accumulated depreciation	(22,006,384)	(2,863,075)	-	(24,869,459)
Total depreciable capital assets, net	5,048,826	19,218,797	-	24,267,623
Governmental activities capital assets, net	\$ 20,529,355	\$ 29,480,897	\$ (8,909,109)	\$ 41,101,143
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 3,971,465	\$ -	\$ -	\$ 3,971,465
Construction in progress	773,848	294,830	(773,848)	294,830
Total nondepreciable capital assets	4,745,313	294,830	(773,848)	4,266,295
Depreciable capital assets:				
Buildings and improvements	82,061,668	1,168,564	-	83,230,232
Furniture, fixtures and equipment	16,467,343	711,668	(189,063)	16,989,948
Total depreciable capital assets	98,529,011	1,880,232	(189,063)	100,220,180
Less accumulated depreciation:				
Buildings and improvements	(34,182,715)	(3,296,391)	-	(37,479,106)
Furniture, fixtures and equipment	(11,613,194)	(1,191,659)	181,634	(12,623,219)
Total accumulated depreciation	(45,795,909)	(4,488,050)	181,634	(50,102,325)
Total depreciable capital assets, net	52,733,102	(2,607,818)	(7,429)	50,117,855
Business-type activities capital assets, net	\$ 57,478,415	\$ (2,312,988)	\$ (781,277)	\$ 54,384,150

The governmental activities construction in progress balance of approximately \$16.3 million at year end is comprised of Aeromed helicopters that are being built for the District.

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	\$ 2,821,168
Trauma	41,907
Total	<u>\$ 2,863,075</u>
Business-type activities:	
Healey Center	\$ 952,199
Lakeside Medical Center	3,157,413
Primary Care Clinics	378,438
Total	<u>\$ 4,488,050</u>

Project Commitments: The District has active capital asset projects in process as of September 30, 2021. The significant projects and related commitments as of September 30, 2021, are as follows:

Project	Spent-to-Date	Remaining Commitment
Aeromed helicopters	<u>\$ 17,515,960</u>	<u>\$ 5,169,479</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. 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	\$ 1,749,185
Current-year claims and net changes in estimates	12,289,171
Medical benefit payments	(11,626,633)
End of year liability	<u>\$ 2,411,723</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, 2020	Additions	Retirements	Balance September 30, 2021	Amount Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,517,465	\$ 5,003,199	\$ (3,987,407)	\$ 3,533,257	\$ 743,412
Business-type activities:					
Compensated absences	4,525,373	5,528,841	(5,437,888)	4,616,326	971,294
Total	<u>\$ 7,042,838</u>	<u>\$ 10,532,040</u>	<u>\$ (9,425,295)</u>	<u>\$ 8,149,583</u>	<u>\$ 1,714,706</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 Empower Retirement. 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 \$5,472,000 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 Empower Retirement. 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 Holdings 457(b) Retirement Plan (the 457(b) Plan), which is a deferred compensation 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 Empower Retirement. 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.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

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, 2021 was \$22,111, 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, 2021, the District reported a liability of \$43,844 for its proportionate share of the pension plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2021 fiscal year contributions relative to the 2021 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.0006%, which was an increase of 0.0001% from its proportionate share measured as of June 30, 2020.

For the year ended September 30, 2021, the District recognized a credit to pension expense of \$7,283. 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	\$ 7,515	\$ -
Change of assumptions	30,000	-
Net difference between projected and actual earnings on FRS pension plan investments	-	152,961
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	41,087	27,960
District FRS contributions subsequent to the measurement date	3,130	-
Total	<u>\$ 81,732</u>	<u>\$ 180,921</u>

The deferred outflows of resources related to the pension plan totaling \$3,130, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized as a credit to pension expense as follows:

Fiscal years ending September 30:	FRS
2022	\$ 17,951
2023	17,951
2024	17,951
2025	17,951
2026	17,951
Thereafter	12,564
	<u>\$ 102,319</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 July 1, 2021, 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 July 1, 2021, 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	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	100%			

Assumed Inflation- Mean 2.4% 1.2%

(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 (asset)	\$ 196,073	\$ 43,844	\$ (83,403)

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, 2021, 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, 2021, 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, 2021 was \$2,967 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, 2021, the District reported a liability of \$61,911 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 2021 fiscal year contributions relative to the 2021 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.0005%, which was the same as the proportionate share measured as of June 30, 2020.

For the year ended September 30, 2021, the District recognized a credit to pension expense of \$5,531. 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	\$ 2,072	\$ 26
Change of assumptions	4,865	2,551
Net difference between projected and actual earnings on FRS pension plan investments	65	-
Changes in proportion and differences between District HIS contributions and proportionate share of contributions	3,612	25,149
District HIS contributions subsequent to the measurement date	396	-
Total	<u>\$ 11,010</u>	<u>\$ 27,726</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

The deferred outflows of resources related to the HIS Plan totaling \$396, 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 ending September 30, 2022. 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
2022	\$ 2,674
2023	2,674
2024	2,674
2025	2,674
2026	2,674
Thereafter	3,742
	<u>\$ 17,112</u>

Actuarial assumptions: The total pension liability in the July 1, 2021 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	2.16%

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount rate: The discount rate used to measure the total pension liability was 2.16%. 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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

	HIS		
	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
District's proportionate share of the net pension liability	\$ 71,575	\$ 61,911	\$ 53,993

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 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 (credits) as previously disclosed in Note 9 for the FRS and HIS plans:

Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Credit)
FRS Plan	\$ 43,844	\$ 81,732	\$ 180,921	\$ (7,283)
HIS Plan	61,911	11,010	27,726	(5,531)
Total	\$ 105,755	\$ 92,742	\$ 208,647	\$ (12,814)

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 reports.

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 OPEB 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 October 1, 2019, there were 11 retirees and 880 active plan members covered by the benefit terms for the District.

Total OPEB liability: The District's total OPEB liability is \$726,570. The total OPEB liability was measured as of September 30, 2021, based on an actuarial valuation as of October 1, 2019.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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	2.43%
Healthcare cost trend rates	8.25% in 2021, 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-2021

Since prior valuation, the mortality improvement scale was modified from MP-2019 to MP-2021 and the discount rate was increased from 2.14% to 2.43%. 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	\$ 733,040
Service cost	54,506
Interest	15,480
Changes of assumptions	(12,304)
Implicit benefit payments	(64,152)
Net changes	(6,470)
Ending balance	\$ 726,570

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 (1.43%) or 1-percentage-point higher (3.43%) than the current discount rate:

	OPEB Discount Rate		
	1% Decrease 1.43%	Current Discount Rate 2.43%	1% Increase 3.43%
Total OPEB Liability	\$ 763,288	\$ 726,570	\$ 691,997

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 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	\$ 661,832	\$ 726,570	\$ 800,967

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

For the year ended September 30, 2021, the District recognized OPEB expense of \$86,428. 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	\$ 126,368	\$ 23,444
Change of assumptions	44,375	15,819
Total	<u>\$ 170,743</u>	<u>\$ 39,263</u>

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:

Years ending September 30:	OPEB
2022	\$ 16,442
2023	16,442
2024	16,442
2025	16,442
2026	16,442
Thereafter	49,270
	<u>\$ 131,480</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 2026. 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
2022	\$ 2,917,730
2023	1,932,689
2024	1,334,646
2025	279,140
2026	279,140
Total	<u>\$ 6,743,345</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 five 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 four years.

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

Years ending September 30:	Service Contracts	Physician Contracts
2022	\$ 5,891,657	\$ 8,133,973
2023	4,578,674	3,069,622
2024	4,427,972	181,395
2025	4,412,910	2,000
2026	4,518,577	-
	<u>\$ 23,829,790</u>	<u>\$ 11,386,990</u>

Funding collaborative: The District provides financial support to certain health services agencies, including the Palm Beach County Health Department. The District incurred approximately \$9,625,000 related to the Palm Beach County Health Department and approximately \$150,000 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 2021, the District budgeted approximately \$10,286,000 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, 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 \$675,000 for the year ended September 30, 2021, including costs related to space for the District's pharmacy and eligibility offices. No costs were allocated to the Clinics for the year ended.

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. 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, 2021, 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, 2021, is reported at net present value, discounted at a rate of 2.02% (20-year U.S. Treasury Rate), and is approximately \$490,000. The payments to PRIDE, the 2021 land lease expense of approximately \$74,000, 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 \$10 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 an aggregate stop loss of \$850,000. 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, 2021 is \$1,932,000. Additionally, Healey, Lakeside and the Clinics accrued approximately \$97,000, \$730,000 and \$4,000, 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, the Hospital 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. The Hospital 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, the Hospital accrued approximately \$2,517,000 for the estimated Medicaid settlements and related costs of the overpayments to the Hospital as of September 30, 2017. During 2021, the Hospital was notified that its calculated Medicaid DSH limits for previous years had been revised in accordance with new guidance from CMS. Amounts received under the Medicaid DSH program for the years of 2013, 2014 and 2015, were below the Hospital's revised Medicaid DSH limits for those years, therefore the Hospital has no liability related to Medicaid DSH payments on September 30, 2021. For the year ended September 30, 2021, in addition to the revenues recorded from the DSH program, approximately \$2,492,000 is included within patient service revenues to record the change in estimated DSH settlements for 2013 through 2015.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 11. Commitments and Contingencies (Continued)

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.

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.

Note 12. Restatement – Implementation of GASB 84, *Fiduciary Activities*

The District implemented GASB Statement 84, *Fiduciary Activities*, which resulted in the restatement of the beginning net position of the fiduciary funds, which are part of the aggregate remaining funds' opinion unit. The implementation resulted in reporting the Resident Agency Fund as a custodial fund and the removal of the Pension Trust Fund from the District's financial statements, beginning October 1, 2020. Accordingly, beginning net position was restated as follows for each fund:

	Pension Trust Fund	Resident Custodial Fund
Total Net Position, October 1, 2020, as reported	\$ 72,825,389	\$ -
Reclass amounts from liabilities to net position	-	70,459
Remove pension trust fund from the financial statements	(72,825,389)	-
Total Net Position, October 1, 2020, as restated	\$ -	\$ 70,459

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, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Ad valorem taxes:				
Current	\$ 146,970,000	\$ 146,970,000	\$ 147,271,234	\$ 301,234
Delinquent	100,000	100,000	134,299	34,299
Total ad valorem taxes	147,070,000	147,070,000	147,405,533	335,533
Intergovernmental:				
Grants	-	-	5,673,584	5,673,584
Palm Beach County School District	2,783,000	2,783,000	3,571,017	788,017
Total intergovernmental	2,783,000	2,783,000	9,244,601	6,461,601
Charges for services:				
Trauma services – Aeromedical (net)	3,476,217	3,476,217	2,421,275	(1,054,942)
Total charges for services	3,476,217	3,476,217	2,421,275	(1,054,942)
Investment and other income:				
Investment earnings	1,368,733	1,368,733	104,612	(1,264,121)
Other income	6,285,600	6,285,600	1,878,732	(4,406,868)
Total investment and other income	7,654,333	7,654,333	1,983,344	(5,670,989)
Total revenues	160,983,550	160,983,550	161,054,753	71,203
Expenditures:				
General government:				
Administration	1,122,936	1,122,936	1,508,952	(386,016)
Communications	339,831	339,831	233,834	105,997
Community engagement	236,768	236,768	265,235	(28,467)
Compliance	232,681	232,681	177,936	54,745
Corporate quality	160,884	160,884	305,378	(144,494)
District facilities	981,939	981,939	929,478	52,461
Employee health	2,763,640	2,763,640	633,359	2,130,281
Finance	1,191,149	1,191,149	1,130,367	60,782
Internal audit	130,147	130,147	105,176	24,971
Information technology – Epic	1,969,765	1,969,765	1,306,630	663,135
Human resources	1,110,900	1,110,900	1,456,517	(345,617)
Information technology	280,556	280,556	395,790	(115,234)
IT Applications	1,204,310	1,204,310	1,083,271	121,039
IT Operations	3,870,791	3,870,791	3,256,041	614,750
IT Security	285,373	285,373	274,964	10,409
Legal	582,597	582,597	869,279	(286,682)
Project management	379,646	379,646	340,647	38,999
Records management	271,956	271,956	214,421	57,535
Revenue cycle	-	-	333,556	(333,556)
Risk management	97,145	97,145	195,162	(98,017)
Transportation	500,000	500,000	500	499,500
Non-departmental	7,771,566	7,771,566	9,206,408	(1,434,842)
Total general government	25,484,578	25,484,578	24,222,901	1,261,677

(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, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Managed care:				
Medical services	\$ 14,600,000	\$ 14,600,000	\$ 7,830,025	\$ 6,769,975
Administration	4,800,479	4,800,479	4,551,329	249,150
Claims	141,901	141,901	150,111	(8,210)
Utilization management	677,018	677,018	739,381	(62,363)
Provider services	-	-	22,338	(22,338)
Eligibility	509,880	509,880	40,369	469,511
Mailroom	412,810	412,810	320,694	92,116
Total managed care	21,142,088	21,142,088	13,654,247	7,487,841
Trauma services:				
Medical services	17,518,883	17,518,883	5,545,084	11,973,799
Trauma agency	730,259	730,259	269,141	461,118
Aeromedical	9,307,661	9,307,661	8,341,158	966,503
Total trauma services	27,556,803	27,556,803	14,155,383	13,401,420
School health:				
School health programs	20,947,807	20,947,807	19,386,693	1,561,114
Total school health	20,947,807	20,947,807	19,386,693	1,561,114
Pharmacy services:				
Pharmacy	4,839,180	4,839,180	4,064,546	774,634
Total pharmacy services	4,839,180	4,839,180	4,064,546	774,634
Funding collaborative:				
County health department grant	10,037,947	10,037,947	9,624,516	413,431
Sponsored programs administration	248,470	248,470	150,321	98,149
Total funding collaborative	10,286,417	10,286,417	9,774,837	511,580
Total expenditures	110,256,873	110,256,873	85,258,607	24,998,266
Revenues over expenditures	50,726,677	50,726,677	75,796,146	25,069,469
Other financing uses:				
Transfers out	(55,003,600)	(55,003,600)	(46,421,763)	8,581,837
Net change in fund balances	\$ (4,276,923)	\$ (4,276,923)	\$ 29,374,383	\$ 33,651,306
Fund balance—beginning			112,597,072	
Fund balance—ending			<u>\$ 141,971,455</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, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental – Palm Beach County	\$ 5,900,000	\$ 5,900,000	\$ 5,900,000	\$ -
Investment earnings	1,289	1,289	26	(1,263)
Total revenues	5,901,289	5,901,289	5,900,026	(1,263)
Expenditures:				
General government:				
Medicaid Match	17,503,600	17,503,600	17,269,932	233,668
Revenues under expenditures	(11,602,311)	(11,602,311)	(11,369,906)	232,405
Other financing sources:				
Transfers in	11,603,600	11,603,600	11,369,906	(233,694)
Net change in fund balances	\$ 1,289	\$ 1,289	-	\$ (1,289)
Fund balance—beginning			609,042	
Fund balance—ending			\$ 609,042	

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. 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.

Health Care District of Palm Beach County, Florida

Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)
September 30, 2021
Last Four Years

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 54,506	\$ 38,988	\$ 39,586	\$ 266,807
Interest	15,480	19,146	18,428	16,223
Difference between expected and actual experience	-	128,718	-	-
Changes of assumptions	(12,304)	50,396	6,185	(8,236)
Implicit benefit payments	(64,152)	(35,067)	(25,627)	(22,137)
Net change in total OPEB liability	(6,470)	202,181	38,572	252,657
Total OPEB liability – beginning	733,040	530,859	492,287	239,630
Total OPEB liability – ending	\$ 726,570	\$ 733,040	\$ 530,859	\$ 492,287
 Covered payroll	 \$ 88,184,000	 \$ 83,880,000	 \$ 79,883,000	 \$ 76,490,000
 District's total liability as a percentage of covered payroll	 0.82%	 0.87%	 0.66%	 0.64%
 Measurement date	 9/30/2021	 9/30/2020	 9/30/2019	 9/30/2018

Notes to Schedule:

(1) Assumption changes: In fiscal year 2021, the mortality improvement scale was modified from MP-2019 to MP-2021 and the discount rate was increased from 2.14% to 2.43%

(2) The GASB requires that information be presented for the last 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, 2021

Last Eight Years

Florida Retirement System	2021	2020	2019	2018	2017	2016	2015	2014
Districts' proportion of the net pension liability	0.0006%	0.0005%	0.0004%	0.0005%	0.0006%	0.0007%	0.0011%	0.0009%
District's proportionate share of the net pension liability	\$ 43,844	\$ 218,327	\$ 129,871	\$ 154,566	\$ 189,758	\$ 169,053	\$ 143,204	\$ 57,284
District's covered payroll	\$ 181,086	\$ 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	24.21%	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	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program								
Districts' proportion of the HIS liability	0.0005%	0.0005%	0.0005%	0.0006%	0.0007%	0.0009%	0.0013%	0.0012%
District's proportionate share of the HIS liability	\$ 61,911	\$ 57,189	\$ 55,371	\$ 64,506	\$ 74,483	\$ 101,159	\$ 134,730	\$ 115,803
District's covered payroll	\$ 181,086	\$ 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	34.19%	34.62%	29.88%	32.40%	33.86%	41.91%	40.02%	32.65%
Plan fiduciary net position as a percentage of the total HIS liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

The GASB requires that information be presented for the last 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 Contributions (Unaudited)

Florida Retirement System Plans

September 30, 2021

Last Eight Years

Florida Retirement System	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 22,111	\$ 16,737	\$ 11,693	\$ 14,625	\$ 16,701	\$ 19,600	\$ 31,483	\$ 27,040
Contributions in relation to the contractually required contribution	(22,111)	(16,737)	(11,693)	(14,625)	(16,701)	(19,600)	(31,483)	(27,040)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 181,086	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375	\$ 336,632	\$ 354,626
Contributions as a percentage of covered payroll	12.21%	10.13%	6.31%	7.35%	7.59%	8.12%	9.35%	7.62%
Health Insurance Subsidy Program	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,967	\$ 2,699	\$ 2,748	\$ 3,305	\$ 3,687	\$ 4,449	\$ 14,617	\$ 15,084
Contributions in relation to the contractually required contribution	(2,967)	(2,699)	(2,748)	(3,305)	(3,687)	(4,449)	(14,617)	(15,084)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 181,086	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375	\$ 336,632	\$ 354,626
Contributions as a percentage of covered payroll	1.64%	1.63%	1.48%	1.66%	1.68%	1.84%	4.34%	4.25%

The GASB requires that information be presented for the last 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

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**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**

RSM US LLP

Independent Auditor's Report

Honorable Chairperson and Members of the Board of Commissioners
Health Care District of Palm Beach County, Florida
West Palm Beach, 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 Health Care District of Palm Beach County, Florida (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2022. Our report included an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The adoption of this statement resulted in the restatement of the financial statements as of October 1, 2020.

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
March 9, 2022



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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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