

Skilled Nursing Center



WE CARE FOR ALL.

**Edward J. Healey Rehabilitation
and Nursing Center**
(An Enterprise Fund of the Health Care District
of Palm Beach County, Florida)

Financial Report and
Required Supplementary Information
September 30, 2025

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Independent Auditor's Report

Members of the Board of Commissioners
Health Care District of Palm Beach County, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Edward J. Healey Rehabilitation and Nursing Center (the Healey Center), an enterprise fund of the Health Care District of Palm Beach County, Florida (the District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Healey Center of the District, as of September 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Healey Center and do not purport to, and do not, present fairly the financial position of the District, as of September 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the financial statements, the Healey Center adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, as of October 1, 2024. As a result of the adoption, the Healey Center restated beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Healey Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the other post-employment benefits and pension related schedules as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the 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 February 26, 2026, on our consideration of the Healey Center'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 Healey Center'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 Healey Center's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach Florida
February 26, 2026

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

**Statement of Net Position
September 30, 2025**

Assets	
Current assets:	
Cash and cash equivalents	\$ 3,682,700
Patient accounts receivable, net	1,141,259
Prepaid expenses and other current assets	122,503
Total current assets	4,946,462
Noncurrent assets:	
Restricted cash	3,887
Capital assets and right to use leased assets:	
Land	3,971,465
Construction in progress	689,351
Depreciable capital assets, net of accumulated depreciation	10,908,984
Right to use leased assets, net of accumulated amortization	3,056
Total noncurrent assets	15,576,743
Total assets	20,523,205
Deferred outflows of resources	
Deferred outflows of resources related to OPEB	7,347
Deferred outflows of resources related to pension plans	3,826
Total assets and deferred outflows of resources	\$ 20,534,378
Liabilities	
Current liabilities:	
Accounts payable	\$ 385,783
Accrued salaries and benefits	676,496
Estimated third-party payor settlements	67,874
Current portion of accrued compensated absences	488,399
Current portion of estimated self-insured liability	105,940
Current portion of lease payable	880
Total current liabilities	1,725,372
Noncurrent liabilities:	
Accrued compensated absences, less current portion	809,171
Estimated self-insured liability, less current portion	23,364
Lease payable, less current portion	2,275
Total other postemployment benefits obligation (OPEB)	94,046
Total noncurrent liabilities	928,856
Total liabilities	2,654,228
Deferred inflows of resources:	
Deferred inflows of resources related to OPEB	50,423
Deferred inflows of resources related to pension plans	109,457
Total liabilities and deferred inflows of resources	\$ 2,814,108
Net Position	
Net investment in capital assets	\$ 15,569,701
Restricted donor contributions	3,887
Unrestricted	2,146,682
Total net position	\$ 17,720,270

See notes to financial statements.

Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)

Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended September 30, 2025

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Operating revenues:	
Patient service revenues, net of provision for bad debts of \$6,996	\$ 8,388,155
Other operating revenues	<u>16,682</u>
Total operating revenues	<u>8,404,837</u>
Operating expenses:	
Salaries and benefits	15,384,393
Administrative support charges	3,403,103
Supplies	1,697,533
Purchased services	1,021,669
Depreciation and amortization	613,160
Utilities	570,147
Repairs and maintenance	508,168
Other	<u>150,387</u>
Total operating expenses	<u>23,348,560</u>
Operating loss	<u>(14,943,723)</u>
Nonoperating revenues (expenses):	
Grant revenues	9,100,000
Interest expense	(309)
Interest income	52,434
Loss on disposal of capital assets	<u>(6,652)</u>
Total nonoperating revenues (expenses)	<u>9,145,473</u>
Loss before District contributions	<u>(5,798,250)</u>
District contributions:	
Operating contributions	5,205,272
Capital contributions	<u>841,775</u>
Total District contributions	<u>6,047,047</u>
Change in net position	248,797
Net position:	
Beginning of year, as restated (Note 11)	<u>17,471,473</u>
End of year	<u><u>\$ 17,720,270</u></u>

See notes to financial statements.

Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)

Statement of Cash Flows
Fiscal Year Ended September 30, 2025

Cash flows from operating activities:	
Receipts from patients and third-party payors	\$ 7,880,708
Payments to employees	(16,168,311)
Payments to suppliers and service providers	(7,250,918)
Other receipts	16,682
Net cash used in operating activities	<u>(15,521,839)</u>
Cash flows from non-capital financing activities:	
Grants received	9,100,000
Settlement income	4,856,000
Operating contributions from the District	5,205,272
Net cash provided by non-capital financing activities	<u>19,161,272</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,995)
Interest payments on leases	(309)
Principal payments on leases	(863)
Interest income	52,434
Net cash used in capital and related financing activities	<u>43,267</u>
Net increase in cash and cash equivalents	3,682,700
Cash and cash equivalents:	
Beginning of year	<u>-</u>
End of year	<u>\$ 3,682,700</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,943,723)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Provision for bad debts	6,996
Depreciation and amortization	613,160
Changes in assets and liabilities:	
Patient accounts receivable	(514,443)
Prepaid expenses and other current assets	(38,520)
Accounts payable	96,736
Accrued salaries and benefits	(691,030)
Estimated third-party payor payable	-
Accrued compensated absences	(55,845)
Estimated self-insured liability	41,873
Total other postemployment benefits obligation and pension	<u>(37,043)</u>
Net cash used in operating activities	<u>\$ (15,521,839)</u>
Supplemental disclosure of noncash capital and related financing activities:	
Capital assets contributed at acquisition value	<u>\$ 841,775</u>

See notes to financial statements.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: The Edward J. Healey Rehabilitation and Nursing Center (the Healey Center) located in Riviera Beach, Florida is operated by the Health Care District of Palm Beach County, Florida (the District). The District was created by the Florida Legislature pursuant to Chapter 2003-326, Laws of Florida (the Health Care Act) and by the affirmative vote of the residents of Palm Beach County, Florida (the County). The District's general purpose is to provide quality health care services in a comprehensive and efficient manner throughout the County, as more fully set forth in the Health Care Act. The Healey Center opened in 2013, for the purpose of providing short-term and long-term rehabilitation and 24/7 skilled nursing care for eligible adult county residents.

The Healey Center is an enterprise fund of the District. The financial statements herein present only the Healey Center and do not purport to, and do not, present fairly the financial position of the District, the changes in its financial position, or, where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

Measurement focus and basis of accounting: The Healey Center uses proprietary fund accounting and follows all relevant pronouncements of the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recognized when incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets/deferred outflows of resources and liabilities/deferred inflows of resources and disclosure of contingent assets/deferred outflows of resources and liabilities/deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowances for contractual discounts and doubtful accounts, estimated third-party payor settlements, pension liabilities and the professional liability accrual. Actual results could differ from those estimates.

Restricted cash: The Healey Center 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: Patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors and others for services rendered. The Healey Center grants credit without collateral to its patients, most of whom are residents of western Palm Beach County. Throughout the year, management assesses the adequacy of the Healey Center's estimates, including those related to bad debt and contractual discounts. The accounting policies related to the Healey Center's overall determination of net patient accounts receivable are described in the paragraphs that follow.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for doubtful accounts: The provision for bad debts is estimated based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. The primary collection risk lies with uninsured patient accounts or patient accounts for which a balance remains after primary insurance has paid. The Healey Center continually monitors its accounts receivable balances and utilizes cash collections data and other analysis to support the basis for its estimates of the allowance for doubtful accounts. In addition, the Healey Center performs retrospective procedures on historical collection and write-off experience for the prior six months to determine the reasonableness of its policy for estimating the allowance for doubtful accounts. The Healey Center does not pursue collection of amounts related to patients that qualify for charity care under its guidelines. As such, charity care accounts do not affect the allowance for doubtful accounts. Significant changes in the payor mix, business office operations or deterioration in aging accounts receivable could result in a significant increase in the allowance for doubtful accounts.

Allowance for contractual discounts: The Healey Center estimates the allowance for contractual discounts on a payor-specific basis, given its interpretation of the applicable regulations or contract terms. The Healey Center continually monitors its accounts receivable balances and utilizes cash collections data and other analysis to support the basis for its estimates of the allowance for contractual discounts. In addition, the Healey Center performs retrospective procedures on historical collection and write-off experience for the prior six months to determine the reasonableness of its policy for estimating the allowance for contractual discounts. However, the services authorized and provided and the resulting reimbursement are often subject to interpretation. These interpretations sometimes result in payments that differ from the Healey Center's estimates. Additionally, updated regulations and contract negotiations occur frequently, necessitating the continual review and assessment of the estimation process.

Capital assets: Capital assets are recorded at acquisition cost. Capital assets contributed by the District are recorded at the District's carrying value. Assets contributed by others are recorded at their estimated acquisition value on the date contributed. Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment, vehicles and right to use leased assets. The Healey Center defines capital assets as assets with an initial cost of at least \$5,000 and an estimated useful life of at least one year. Capital assets used in operations are depreciated over the estimated useful lives of the respective assets on the straight-line basis. Amortization expense of right to use leased and Subscription Based Information Technology Arrangements (SBITA) assets, is included in depreciation and amortization expense. Gains and losses on dispositions of capital assets are recorded in the period of disposal. The estimated useful lives generally conform to those recommended by the American Hospital Association as follows:

<u>Asset Type</u>	<u>Years</u>
Buildings and improvements	15-30
Furniture, fixtures and equipment	3-20
Vehicles	3-5

The Healey Center evaluates capital assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of the assets. An impairment charge is recorded on those assets for which the estimated fair value is below the carrying amount. No impairment was recorded in fiscal year 2025.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Leases: The Healey Center is a lessee for noncancellable leases of equipment. At the commencement of the lease, the Healey Center initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Healey Center determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Healey Center uses estimated incremental borrowing rates, which is the estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the Healey Center is reasonably certain to exercise.

The Healey Center is currently not a lessor in any transactions.

The Healey Center monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use leased assets on the statement of net position. The related lease liabilities are reported as lease payables on the statement of net position.

Net position: In accordance with GASB standards, the Healey Center reports net position in three components: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets consists of right to use, SBITA and capital assets net of accumulated depreciation and amortization, reduced by the balance of any outstanding debt (including lease and SBITA payables) used to finance the purchase or construction of those assets. Restricted net position is assets/deferred outflows of resources less liabilities/deferred inflows of resources that have constraints placed on them externally by creditors, grantors, contributors or laws and regulations. Unrestricted net position consists of remaining assets/deferred outflows of resources less liabilities/deferred inflows of resources that do not meet the definition of investment in capital assets or restricted net position.

Restricted resources: When the Healey Center has both restricted and unrestricted resources available to finance a particular program, it is the Healey Center's policy to use the restricted resources before unrestricted resources.

Net patient service revenues: The Healey Center serves patients whose medical costs are not paid at established rates. These include patients sponsored under government programs, such as Medicare and Medicaid, patients sponsored under private contractual agreements, and uninsured patients who have limited 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 revenues. The Healey Center presents its provision for bad debts as a direct reduction of patient service revenues.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

A summary of the basis of reimbursement with major third-party payors is as follows:

Medicare: 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 payment system, which is complex, subject to frequent change and subject to interpretation. As part of operating under these programs, there is a possibility that governmental authorities may review the Healey Center's compliance with these laws and regulations. Such review may result in adjustments to reimbursements previously received and subject the Healey Center to fines and penalties. Although no assurances can be given, management believes they have complied with the requirements of these programs. The Healey Center'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 the Healey Center.

Medicaid: Payments under All Patient Refined Diagnostic Related Groups methodology (APR DRG) assignments are made on a per case basis and are not subject to retrospective rate adjustments.

Commercial providers: The Healey Center 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 Healey Center's mission is to provide high quality, affordable health care to the greater Riviera Beach area community. In pursuing its commitment to serve all members of the community, the Healey Center provides services to the financially disadvantaged, despite the lack or adequacy of payment for its services. The Healey Center 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 Healey Center's charity care guidelines. The Healey Center provides care to patients who meet certain criteria under its charity care guidelines without charge or at amounts less than its established rates. Because the Healey Center 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. Charges foregone, based on the Healey Center's established rates, and excluded from revenue under the Healey Center's charity care guidelines were approximately \$3,582,000 for the year ended September 30, 2025. Using the Healey Center's average ratio of cost to charges, the cost of the charity care provided was approximately \$6,780,000 and the percentage of charity care charges to all patient charges was 28.9% for the year ended September 30, 2025.

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 or investigations.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net patient service revenue: The Healey Center's gross patient charges, charity adjustments, provision for doubtful accounts, and contractual adjustments for the year ended September 30, 2025, are as follows:

	<u>2025</u>
Gross patient charges, before charity care adjustment	\$ 12,375,912
Charity care adjustment	<u>(3,581,753)</u>
Gross patient charges	8,794,159
Provision for doubtful accounts	(6,996)
Contractual adjustment	<u>(399,008)</u>
Net patient service revenue	<u>\$ 8,388,155</u>

Operating revenues and expenses: The Healey Center's statement of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Healey Center's principal activity. Nonexchange revenues, including interest income, gifts, grants, contributions and other unrestricted revenues, are reported as nonoperating revenues. Gifts, 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.

Grant revenues: Grant revenues are 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.

Compensated absences: The Healey Center's employees earn paid time off (holiday, vacation, personal days, sick time and other absences) at varying rates depending on years of service and position. Employees accumulate hours of paid time off subject to certain limits. Upon termination, employees are paid for time off (except sick time) accrued but not used at their current rate of pay, subject to certain limits. In accordance with GASB Statement No. 101, *Compensated Absences*, accumulated time off is estimated and accrued as liabilities on the financial statements to the extent that it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. See Note 11 for further information on the implementation of GASB Statement No. 101, *Compensated Absences*.

Risk management: The Healey Center is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters to the extent such claims are not covered by sovereign immunity (see Note 10). Settled claims have not exceeded the Healey Center's commercial coverage over the past three years.

Income taxes: The Healey Center is exempt from federal and state income taxes as a governmental entity and is not required under the Internal Revenue Code to file tax returns.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: GASB Statement No. 101, *Compensated Absences* was issued in June 2022. The statement improves the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement were effective for the Healey Center beginning October 1, 2024. See Note 11 for further information on the implementation of this GASB statement.

GASB issued Statement No. 102, *Certain Risk Disclosures* was issued in December 2023. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, and require state and local governments to disclose information about concentrations and constraints that make them vulnerable to a significant adverse impact. The adoption of the statement in the current year did not have a material impact on the financial statements for the year ended.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024, and will be effective for the Healey Center in fiscal year 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The Healey Center has elected not to implement the requirements of this statement early and is still evaluating the potential impacts.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024, and will be effective for the Healey Center in fiscal year 2026. The objective of this statement is to provide the users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures required by GASB Statement No. 34, *Basic Financial Statements and Management Discussions and Analysis for State and Local Governments*. This statement also requires additional disclosures for capital assets held for sale. The Healey Center has elected not to implement the requirements of this statement early and is still evaluating the potential impacts.

GASB issued Statement No. 105, *Subsequent Events*, was issued in December 2025 and will be effective for the Healey Center in fiscal year 2027. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events, as well as outlines when such events should be disclosed. The Healey Center has elected not to implement the requirements of this statement early and is still evaluating the potential impacts.

Note 2. Cash

At September 30, 2025, cash and restricted cash balances included in the Healey Center's statement of net position consisted of the following:

Carrying amount:	
Deposits with financial institutions	\$ 3,686,087
Petty cash	500
	<u>\$ 3,686,587</u>

The District is responsible for all treasury functions, and pools all cash and investments, except for cash and investment accounts required by specific agreements to be maintained under legal restrictions in separate bank accounts. See the District's Annual Financial Report for disclosures relating to its interest rate risk, credit risk, custodial credit risk, concentration of credit risk and related fair value measurement disclosures required by GASB.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 3. Patient Accounts Receivable

Patient accounts receivable, reported as current assets by the Healey Center at September 30, 2025, consist of the following amounts:

Receivable from patients	\$ 85,876
Receivable from patients' insurance carriers	154,509
Receivable from Medicare	164,214
Receivable from Medicaid	894,696
Total patient accounts receivable	<u>1,299,295</u>
Less allowance for contractual discounts	(142,257)
Less allowance for doubtful accounts	(15,779)
Total allowances	<u>(158,036)</u>
Patient accounts receivable, net	<u><u>\$ 1,141,259</u></u>

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2025, is summarized as follows:

	Balance October 1, 2024	Increases and Transfers	Decreases and Transfers	Balance September 30, 2025
Capital assets:				
Land	\$ 3,971,465	\$ -	\$ -	\$ 3,971,465
Construction in progress (nondepreciable)	-	705,134	(15,783)	689,351
Buildings and improvements	18,435,188	79,519	(163,214)	18,351,493
Furniture, fixtures and equipment	2,217,312	100,148	(122,992)	2,194,468
Total cost	<u>24,623,965</u>	<u>884,801</u>	<u>(301,989)</u>	<u>25,206,777</u>
Less accumulated depreciation:				
Buildings and improvements	(7,449,574)	(501,517)	71,848	(7,879,243)
Furniture, fixtures and equipment	(1,835,489)	(110,703)	188,458	(1,757,734)
Total accumulated depreciation	<u>(9,285,063)</u>	<u>(612,220)</u>	<u>260,306</u>	<u>(9,636,977)</u>
Capital assets, net	<u><u>\$ 15,338,902</u></u>	<u><u>\$ 272,581</u></u>	<u><u>\$ (41,683)</u></u>	<u><u>\$ 15,569,800</u></u>

Note 5. Right to Use Lease Assets and Liabilities

The Healey Center is a lessee in a non-cancellable lease for equipment with an original term of five years and an interest rate of 8.5%. Right to use lease assets activity for the year ended September 30, 2025, are summarized as follows:

	Balance October 1, 2024	Increases and Transfers	Decreases and Transfers	Balance September 30, 2025
Right to use leased assets:				
Equipment and other	\$ 4,624	\$ -	\$ -	\$ 4,624
Total right to use leased assets	<u>4,624</u>	<u>-</u>	<u>-</u>	<u>4,624</u>
Less accumulated amortization:				
Equipment and other	(628)	(940)	-	(1,568)
Total accumulated amortization	<u>(628)</u>	<u>(940)</u>	<u>-</u>	<u>(1,568)</u>
Total right to use leased assets, net	<u><u>\$ 3,996</u></u>	<u><u>\$ (940)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,056</u></u>

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 5. Right to Use Lease Assets and Liabilities (Continued)

Lease liabilities activity for the year ended September 30, 2025, are summarized as follows:

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025
Lease payables:				
Equipment and other	\$ 4,018	\$ -	\$ (863)	\$ 3,155
Total lease payables	<u>\$ 4,018</u>	<u>\$ -</u>	<u>\$ (863)</u>	<u>\$ 3,155</u>

The future principal and interest payments due on the lease liabilities are as follows:

Fiscal years ending September 30:	Principal	Interest	Total
2026	\$ 880	\$ 242	\$ 1,122
2027	958	165	1,123
2028	1,042	80	1,122
2029	275	6	281
Total	<u>\$ 3,155</u>	<u>\$ 493</u>	<u>\$ 3,648</u>

Note 6. Compensated Absences

Compensated absences liability for the year ended September 30, 2025, are summarized as follows:

	Balance October 1, 2024**	Change	Balance September 30, 2025	Amounts Due Within One Year
Compensated absences	<u>\$ 1,353,415</u>	<u>\$ (55,845)</u>	<u>\$ 1,297,570</u>	<u>\$ 488,399</u>

**The entity adopted the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, the beginning balance was restated as of October 1, 2024. See Note 11 for further information related to the restatement.

Note 7. Other Postemployment Benefits

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

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 7. Other Postemployment Benefits (Continued)

Funding policy: The Healey Center 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, U.S. GAAP requires the actuarial figures to be calculated using age-adjusted premiums approximating claim costs for retirees separately from active employees. The use of age-adjusted premiums results in the addition of the implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly medical premium, which currently ranges from a minimum of \$850 to a maximum of \$2,609.

District employees covered by benefit terms: At October 1, 2023, there were four retirees and 799 active plan members covered by the benefit terms for the overall District.

Total OPEB liability: The Healey Center's allocated proportionate share of the District's total OPEB liability was \$94,046 for the year ended September 30, 2025. The total OPEB liability was measured at September 30, 2025, based on an actuarial valuation as of October 1, 2023.

The total OPEB liability was based on an October 1, 2023 actuarial valuation and rolled forward to the measurement date, using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3%
Discount rate	4.5%; The discount rate used to measure the total OPEB liability was based on the 20-year AA/Aa tax-exempt municipal bond yield as of the measurement date.
Health care cost trend rates	7.25% in 2023-2024, 7.50% in 2024-2025 graded down to 4.5% by 0.25% per year.
Mortality	Pub-2010 Headcount weighted mortality table for general, public employer, annuitant and non-annuitant, sex distinct with 2024 IRS adjusted MP-2021.

Change in assumptions: The discount rate increased to 4.50% from 4.06% at September 30, 2024. In addition, the initial healthcare cost trend rate increased by 25 basis points.

The following provides the changes to the total OPEB liability for the year ended September 30, 2025:

Beginning balance	\$ 88,787
Service cost	6,046
Interest	3,726
Changes of assumptions	(1,454)
Implicit benefit payments	(3,059)
Net changes	5,259
Ending balance	\$ 94,046

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 7. Other Postemployment Benefits (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Healey Center, as well as what the Healey Center's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the discount rate for the year ended September 30, 2025:

	Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ 103,894	\$ 94,046	\$ 89,711

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the Healey Center, as well as what the Healey Center's total OPEB liability would be if it were calculated using health care cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current health care cost trend rates for the year ended September 30, 2025:

	Trend Rate		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 88,077	\$ 94,046	\$ 105,651

OPEB expense and deferred inflows and outflows of resources related to OPEB: The Healey Center recognized OPEB expense of \$2,522 for the year ended September 30, 2025. At September 30, 2025, the Healey Center reported deferred inflows and outflows of resources for changes in assumptions of \$50,423 and \$7,347, respectively.

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

	Amount
Fiscal years ending September 30:	
2026	\$ (7,250)
2027	(7,248)
2028	(7,225)
2029	(7,207)
2030	(6,201)
Thereafter	(7,945)
	<u>\$ (43,076)</u>

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 8. Retirement Plans

District defined contribution plan: In October 1990, the District established the Health Care District of Palm Beach County 401(a) Retirement Plan (the Plan), a defined contribution pension plan that covers employees of the District and its wholly owned affiliates, including employees not participating in the Florida Retirement System (FRS) Plan who are 18 years of age or older and have completed one year of service. The Plan is administered by Empower Retirement. For employees hired after September 30, 2012, the District contributes 4% for general employees, 5% for Associate Vice Presidents and 6% for Vice Presidents of eligible compensation to the Plan and makes matching contributions equal to 100% of the participants' elective deferrals up to 4%, 5% and 6% of eligible compensation based on job title, as listed above. The District contributes 15% of eligible compensation for employees hired prior to October 1, 2012. Contribution rates and benefits of the Plan are established by and may be amended by the District Board. For the fiscal year ended September 30, 2025, the Healey Center contributed approximately \$820,000 to the Plan for its employees. Employees are fully vested after three 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 Health Care District of Palm Beach County Deferred Compensation 457(b) and Roth 457(b) plan. Under these plans, an employee is able to contribute pre-tax wage/salary dollars into the 457(b) and/or a post-tax wage/salary dollar into the Roth 457(b). The 457(b) and Roth 457(b) Plans are administered by Empower Retirement. An employee can defer up to \$23,500 of eligible compensation annually or \$31,000 annually for aged 50+ and an additional \$11,250 for aged 60-63 for an annual total of \$34,750. These limits are subject to change each calendar year. No contributions are required of the District. Contribution rates and benefits of the 457(b) and Roth 457(b) Plans are established by the District Board and may be amended in the future by the District Board.

Florida Retirement System (FRS) Plan:

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.

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

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 Healey Center's contributions to FRS for the fiscal year ended September 30, 2025 was \$0.

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.

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, 2025, the Healey Center reported a liability of \$0 for its proportionate share of the pension plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Healey Center's proportionate share of the net pension liability was based on the Healey Center's 2025 fiscal year contributions relative to the 2025 fiscal year contributions of all participating members. At June 30, 2025 and 2024, the Healey Center's proportionate share was 0% and 0.0002%, respectively.

For the year ended September 30, 2025, the Healey Center recognized a credit to pension expense of \$24,636. In addition, the Healey Center 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
Changes in proportion and differences between Healey Center FRS contributions and proportionate share of contributions	\$ 2,943	\$ 75,089

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

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:

	FRS
Fiscal years ending September 30:	
2026	\$ (15,350)
2027	(15,350)
2028	(15,350)
2029	(15,350)
2030	(10,746)
	<u>\$ (72,146)</u>

Actuarial assumptions: The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, 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-2021.

The actuarial assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2024.

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%	3.2%	3.2%	1.1%
Fixed income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate (property)	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments	2.0%	6.5%	6.1%	8.7%
Total	<u>100%</u>			
Assumed Inflation – Mean			2.4%	1.5%

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

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 6.7%. 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 calculating the total pension liability is equal to the long-term expected investment rate of return. The discount rate is unchanged from the prior year.

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, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 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, 2025, the HIS contribution rate was 0%. The Healey Center 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 Healey Center's contributions to the HIS Plan for the fiscal year ended September 30, 2025 was \$0 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, 2025, the Healey Center reported a liability of \$0 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Healey Center's proportionate share of the net pension liability was based on the Healey Center's 2025 fiscal year contributions relative to the 2025 fiscal year contributions of all participating members. At June 30, 2025 and 2024, the Healey Center's proportionate share was 0% and 0.0001%, respectively.

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

For the year ended September 30, 2025, the Healey Center recognized a credit to pension expense of \$11,868. In addition, the Healey Center reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Healey Center HIS contributions and proportionate share of contributions	\$ 883	\$ 34,368
Total		

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:

	HIS	
Fiscal years ending September 30:		
2026	\$	(5,315)
2027		(5,315)
2028		(5,315)
2029		(5,315)
2030		(5,315)
Thereafter		(6,910)
	\$	(33,485)

Actuarial assumptions: The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, and applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	5.20%

Mortality rates were based on the Generational PUB-2010 table with Projection Scale MP-2021.

The actuarial assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2024.

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

Changes to the actuarial assumption and methods:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study and changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The coverage election assumptions were updated to reflect recent and anticipated future experience and were adopted by the 2024 FRS Actuarial Assumption Conference during its October 2024 meeting.
- The discount rate increased from 3.93% in 2024 to 5.20% in 2025, to reflect the change in the value of the municipal bond index between GASB measurement dates.

Discount rate: The discount rate used to measure the total pension liability was 5.20%. 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.

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 8 for the FRS and HIS plans:

Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Credit)
FRS Plan	\$ -	\$ 2,943	\$ 75,089	\$ (24,636)
HIS Plan	-	883	34,368	(11,868)
Total	\$ -	\$ 3,826	\$ 109,457	\$ (36,504)

Note 9. Related-Party Transactions

The Healey Center received approximately \$5,205,000 and \$842,000 in operating and capital contributions, respectively, from the District during the year ended September 30, 2025.

The District allocated certain department support charges to the Healey Center, including personnel, purchasing, information technology, legal and administrative costs. The total District allocated costs charged to expense by the Healey Center were approximately \$3,403,000 for the year ended September 30, 2025. Such charges are recorded as administrative support charges in the statement of revenues, expenses and changes in net position.

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 10. Commitments and Contingencies

Service contracts: The Healey Center has entered into various contracts for maintenance and other services. The remaining term of the individual service contracts at September 30, 2025, is generally one to five years.

The future minimum payments for these contracts are summarized as follows:

	Service Contracts
Year ending September 30: 2026	<u>\$ 29,081</u>

Professional and general liability claims: The Healey Center is subject to claims and lawsuits 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 by statute, in certain of these actions, plaintiffs may seek punitive or other damages against the Healey Center, which are generally not covered by insurance.

The Healey Center, as a result of its management and control by the District as an independent special taxing district and a political subdivision of the State, is entitled to sovereign immunity under 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 and general liability exposures per incident and \$850,000 in the aggregate, as well as underlying insurance policies for employers' liability, business automobile liability and aviation general liability exposures.

The excess policies, with aggregate limits of \$5 million each and \$10 million combined, only responds in the event a covered loss results in a claims bill that is approved by the Legislature. The Healey Center's management, in consultation with legal counsel, believes all general and professional liability claims are covered by insurance or limited under sovereign immunity and will not have any significant impact on the financial condition of the Healey Center in excess of the amounts accrued at fiscal year-end.

Estimated professional and general liability claims, which are recorded as estimated self-insured liability in the statement of net position as of September 30, 2025 and 2024, are summarized as follows:

	Balance October 1, 2024	Additions	Reductions	Balance September 30, 2025	Amounts Due Within One Year
Estimated professional and general liability claims	<u>\$ 87,431</u>	<u>\$ 60,277</u>	<u>\$ (18,404)</u>	<u>\$ 129,304</u>	<u>\$ 105,940</u>

**Edward J. Healey Rehabilitation and Nursing Center
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Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

	Balance October 1, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One Year
Estimated professional and general liability claims	\$ 44,125	\$ 43,306	\$ -	\$ 87,431	\$ 45,662

Medicare and Medicaid: Revenue from the Medicare and Medicaid programs accounted for a significant portion of the Healey Center’s net patient service revenues for 2025. The Healey Center’s Medicare and Medicaid cost reports through the year ended September 30, 2020, have been audited. The Healey Center’s cost reports for the year ended September 30, 2025, have not been filed.

The Healey Center has recorded an estimated payable of \$67,874 at September 30, 2025, for future audit settlements related to Medicare and Medicaid charges. The final determination of amounts earned pursuant to the Medicare and Medicaid programs for open years is subject to review by appropriate governmental agencies or their agents.

The Centers for Medicare and Medicaid Services (CMS) has implemented a program using recovery audit contractors (RAC) 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 Healey Center 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 2025, and no liability has been recorded for estimated RAC settlements.

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 Healey Center is also subject to the laws and regulations related to its 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. Management believes that the Healey Center has generally complied with applicable laws and regulations that could have a material impact on the financial statements of the Healey Center and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing or noncompliance.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 11. Restatement – Implementation of GASB Statement No. 101, *Compensated Absences*

Effective October 1, 2024, the Healey Center implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences and requires that liabilities for compensated absences be recognized for: (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means.

The implementation increased beginning compensated absences liability and decreased the beginning net position as shown below:

	Compensated Absences	Net Position
Balance October 1, 2024, as previously reported	\$ 1,045,851	\$ 17,779,037
Change to implement GASB 101	307,564	(307,564)
Balance October 1, 2024, as restated	<u>\$ 1,353,415</u>	<u>\$ 17,471,473</u>

Required Supplementary Information
Unaudited

Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)

Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)
Last Eight Years

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	\$ 6,046	\$ 7,128	\$ 7,405	\$ 9,518	\$ 10,191	\$ 6,677	\$ 6,785	\$ 7,234
Interest	3,726	4,904	4,522	3,096	2,679	4,443	4,302	3,803
Difference between expected and actual experience	-	(21,806)	-	(11,763)	-	(16,200)	-	-
Changes of assumptions	(1,454)	4,968	(578)	(28,305)	(2,092)	8,312	1,400	(1,817)
Implicit benefit payments	(3,059)	(5,144)	(3,043)	(7,867)	(5,675)	(6,465)	(4,129)	(2,515)
Net change in total OPEB liability	5,259	(9,950)	8,306	(35,321)	5,103	(3,233)	8,358	6,705
Total OPEB liability—beginning	88,787	98,737	90,431	125,752	120,649	123,882	115,524	108,819
Total OPEB liability—ending	\$ 94,046	\$ 88,787	\$ 98,737	\$ 90,431	\$ 125,752	\$ 120,649	\$ 123,882	\$ 115,524
Covered payroll	\$ 11,719,949	\$ 13,130,111	\$ 13,636,093	\$ 13,322,036	\$ 11,988,192	\$ 11,817,811	\$ 10,080,499	\$ 10,297,751
Total OPEB liability as a percentage of covered payroll	0.80%	0.68%	0.72%	0.68%	1.05%	1.02%	1.23%	1.12%
Measurement date	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018

Notes to schedule:

(1) No assets are accumulated in a trust to pay plan benefits.

(2) Assumption changes since prior valuation:

- Trend rate increased by 25 basis points before trending down 25 basis points per year
- Discount rate increased from 4.06% to 4.50%

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

**Schedule of Proportionate Share of Net Pension Liability (Unaudited)
Florida Retirement System Plans
September 30, 2025
Last Ten Years**

Florida Retirement System	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Healey Centers' proportion of the net pension liability	0.0000%	0.0002%	0.0002%	0.0002%	0.0006%	0.0005%	0.0004%	0.0005%	0.0006%	0.0007%
Healey Center's proportionate share of the net pension liability	\$ -	\$ 52,965	\$ 66,596	\$ 90,051	\$ 43,844	\$ 218,327	\$ 129,871	\$ 154,566	\$ 189,758	\$ 169,053
Healey Center's covered payroll	\$ -	\$ 27,662	\$ 47,569	\$ 49,591	\$ 181,086	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375
Healey Center's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	191.47%	140.00%	181.59%	24.21%	132.15%	70.08%	77.65%	86.25%	70.04%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%
Health Insurance Subsidy Program	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Healey Center' proportion of the HIS liability	0.0000%	0.0001%	0.0001%	0.0002%	0.0005%	0.0005%	0.0005%	0.0006%	0.0007%	0.0009%
Healey Center's proportionate share of the HIS liability	\$ -	\$ 14,363	\$ 19,022	\$ 21,597	\$ 61,911	\$ 57,189	\$ 55,371	\$ 64,506	\$ 74,483	\$ 101,159
Healey Center's covered payroll	\$ -	\$ 27,662	\$ 47,569	\$ 49,591	\$ 181,086	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375
Healey Center's proportionate share of the HIS liability as a percentage of its covered payroll	0.00%	51.92%	39.99%	43.55%	34.19%	34.62%	29.88%	32.40%	33.86%	41.91%
Plan fiduciary net position as a percentage of the total HIS liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

Notes:

(1) Changes to the Actuarial Assumption and Methods:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study and changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.

- The coverage election assumptions were updated to reflect recent and anticipated future experience and were adopted by the 2024 FRS Actuarial Assumption Conference during its October 2024 meeting.

- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

(2) Information above is presented as required by GASB 68, *Accounting and Financial Reporting for Pensions*.

**Edward J. Healey Rehabilitation and Nursing Center
(An Enterprise Fund of the Health Care District of Palm Beach County, Florida)**

**Schedule of Contributions (Unaudited)
Florida Retirement System Plans
September 30, 2025
Last Ten Years**

Florida Retirement System	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ 7,753	\$ 8,040	\$ 10,327	\$ 22,111	\$ 16,737	\$ 11,693	\$ 14,625	\$ 16,701	\$ 19,600
Contributions in relation to the contractually required contribution	-	(7,753)	(8,040)	(10,327)	(22,111)	(16,737)	(11,693)	(14,625)	(16,701)	(19,600)
Contribution deficiency (excess)	\$ -									
Covered payroll	\$ -	\$ 27,662	\$ 47,569	\$ 49,591	\$ 181,086	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375
Contributions as a percentage of covered payroll	0.00%	28.03%	16.90%	20.82%	12.21%	10.13%	6.31%	7.35%	7.59%	8.12%
Health Insurance Subsidy Program	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ 811	\$ 788	\$ 1,234	\$ 2,967	\$ 2,699	\$ 2,748	\$ 3,305	\$ 3,687	\$ 4,449
Contributions in relation to the contractually required contribution	-	(811)	(788)	(1,234)	(2,967)	(2,699)	(2,748)	(3,305)	(3,687)	(4,449)
Contribution deficiency (excess)	\$ -									
Covered payroll	\$ -	\$ 27,662	\$ 47,569	\$ 49,591	\$ 181,086	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375
Contributions as a percentage of covered payroll	0.00%	2.93%	1.66%	2.49%	1.64%	1.63%	1.48%	1.66%	1.68%	1.84%

Note: Information above is presented as required by GASB 68, *Accounting and Financial Reporting for Pensions*.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Members of the Board of Commissioners
Health Care District of Palm Beach County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Edward J. Healey Rehabilitation and Nursing Center (the Healey Center), an enterprise fund of the Health Care District of Palm Beach County, Florida (the District), as of and for the year ended September 30, 2025, and the related notes to the financial statements which collectively comprise the Healey Center's financial statements, and have issued our report thereon dated February 26, 2026. Our report included an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, effective October 1, 2024. Our report is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Healey Center'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 Healey Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Healey Center'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Healey Center'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 Healey Center'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 Healey Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
February 26, 2026



Health Care District
OF PALM BEACH COUNTY
WE CARE FOR ALL

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

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