HOSPITAL SERVICE DISTRICT NO.1 OF TERREBONNE PARISH, STATE OF LOUISIANA

Management's Discussion and Analysis
and Financial Statements

March 31, 2021 and 2020

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

HOSPITAL SERVICE DISTRICT NO. 1 OF TERREBONNE PARISH, STATE OF LOUISIANA

Management's Discussion and Analysis

This section of the Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana's (the District), annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year ended March 31, 2021. Please read it in conjunction with the financial statements in this report.

In June 2013, Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana became the sole member of Southern Regional Medical Corporation (SRMC). SRMC entered into a Cooperative Endeavor Agreement (CEA) with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the Louisiana Division of Administration (DOA), and the State of Louisiana through the Division of Administration (the State and the Louisiana Department of Health and Hospitals) (DHH) to which the District assists SRMC in ensuring the availability of hospital services to low-income and indigent patients in south central Louisiana. SRMC entered in an agreement with LSU to take possession, use, and occupy the Leonard J. Chabert Medical Center (Chabert), and assume responsibility for its operations. SRMC entered into a management agreement with Chabert Management LLC (Manager) to provide management, staff, and other assistance to SRMC to operate Chabert. The CEA is for an initial term of five years and automatically renews for an additional five-year term, unless terminated by either party. SRMC is the sole member of Quality and Outcome Improvement Network, Inc. (QIN). SRMC established QIN to work with the Healthy Louisiana Medicaid managed care organizations and other hospitals to improve the availability and quality of care in Louisiana. The District's financial statements are a consolidation of Terrebonne General Medical Center (TGMC), Southern Regional Medical Center (SRMC), and Quality and Outcome Improvement Network, Inc. (QIN).

Required Financial Statements

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and deferred inflows and outflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the reporting period's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures changes in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its net patient service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the District

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in it. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Financial Highlights for the Year Ended March 31, 2021

- The District's assets and deferred outflows increased by approximately $88,841,000, or 17%, primarily due to funding received as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which was enacted by Congress and signed into law on March 27, 2020 in response to the economic impact of the COVID-19 pandemic.
- During the fiscal year, the District's total operating revenues increased from prior year by $24,284,000, or 8%, to $345,567,000, while operating expenses increased $33,750,000, or 11%, to $344,004,000. The District has income from operations of $1,563,000, which is 0.4% of total operating revenue and represents a decrease of $11,029,000 from prior year income from operations.
- During fiscal year 2021, the District qualified to receive funding from eligible supplemental Medicaid payments. The amount of this funding included in total operating revenue for the year is $62,999,000.
- Investment income decreased from the prior year by $8,921,000 due to volatility in the market during the COVID-19 pandemic.
- During the fiscal year, the District made significant capital acquisitions totaling approximately $17.4 million including the following:
  - Upgrade to infrastructure of facilities
  - Various renovation projects of existing buildings
  - Purchase of medical equipment

The source of the funding for these projects was derived from operations and drawing on investments as necessary.

Summary of Net Position

A summary of the District's Statements of Net Position at March 31, 2021 and 2020 is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position
(In Thousands)

	2021	Restated 2020	**Dollar Change**	**Percent Change**
Current Assets	**$ 290,235**	$ 209,051	$ 81,184	39%
Capital Assets, Net	**144,204**	144,028	176	0%
Other Assets, Including Board Designated and Restricted Investments	**179,372**	170,885	8,487	5%
Deferred Outflows of Resources	**295**	389	(94)	-24%
Total Assets and Deferred Outflows	**$ 614,106**	$ 524,353	$ 89,753	17%
Current Liabilities	**$ 246,483**	$ 167,146	$ 79,337	47%
Long-Term Liabilities	**46,584**	51,373	(4,789)	-9%
Total Liabilities	**293,067**	218,519	74,548	34%
Deferred Inflows of Resources	**3,803**	4,714	(911)	-19%
Net Investment in Capital Assets	**93,592**	91,107	2,485	3%
Restricted Net Position	**5,542**	2,857	2,685	94%
Unrestricted Net Position	**218,102**	207,156	10,946	5%
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 614,106**	$ 524,353	$ 89,753	17%

As can be seen in Table 1, total assets and deferred outflows increased by $88,841,000 to $613,194,000 at March 31, 2021, up from $524,353,000 at March 31, 2020. The change in total assets results primarily from the increase in funding, primarily due to the CARES Act.

Total current liabilities increased by $73,636,000 from March 31, 2020 to March 31, 2021, primarily as a result of the timing of payments passed through QIN to other organizations.

Summary of Revenues and Expenses

The following table presents a summary of the District's revenues and expenses for each of the years ended March 31, 2021 and 2020:

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	2021	2020	**Dollar Change**	**Percent Change**
Net Patient Service Revenue	**$ 250,222**	$ 265,988	$ (15,766)	-6%
Other Revenue, Net	**95,345**	55,295	40,050	72%
Total Operating Revenue	**345,567**	321,283	24,284	8%
Salaries and Employee Benefits	**119,005**	116,361	2,644	2%
Supplies and Materials	**78,193**	74,026	4,167	6%
Purchased Services	**109,858**	84,835	25,023	29%
Professional Fees	**9,593**	8,165	1,428	17%
Other Operating	**9,762**	9,944	(182)	-2%
Depreciation	**17,593**	16,923	670	4%
Total Operating Expense	**344,004**	310,254	33,750	11%
Income from Operations	**1,563**	11,029	(9,466)	-86%
Provider Relief Funds	**14,304**	-	14,304	100%
Investment Income, Net	**2,447**	11,368	(8,921)	-78%
Interest Expense and Amortization	**(1,812)**	(1,861)	49	-3%
Other Expenses	**(386)**	(549)	163	-30%
Total Nonoperating Revenues (Expenses)	**14,553**	8,958	$ 5,595	62%
Change in Net Position	**16,116**	19,987		
Net Position				
Beginning of Period	**301,120**	281,133		
End of Period	**$ 317,236**	$ 301,120		

Sources of Revenue

Operating Revenue
During fiscal year 2021, the District derived the majority of its operating revenue from patient revenues. Patient revenues include revenues from the Medicare and Medicaid programs and patients, or their third-party insurers, who pay for care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party insurers is based upon established contracts. The difference between the covered charges and the expected payment is recognized as a contractual allowance.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31, 2021 and 2020:

TABLE 3
Payor Mix

	2021	2020
Medicare	**52%**	54%
Medicaid	**22%**	21%
Managed Care	**22%**	21%
Self-Pay and Other	**4%**	4%
Total Patient Revenues	**100%**	100%

Other Operating Revenue
The District also generated other operating income of $95,345,000 in fiscal year 2021 and $55,295,000 in fiscal year 2020. Of this amount, $62,999,000 in 2021 and $33,253,000 in 2020 relates to grants from supplemental Medicaid payments. The remaining income does not relate to patient revenues, and consists primarily of rental and retail income, reference lab income, cafeteria income, and other departmental income. Rental, retail, reference lab, and cafeteria income account for $4,408,000 and $4,394,000 in fiscal years 2021 and 2020, respectively. The District recognized $6,960,000 in funding received as part of the Coronavirus Relief Fund, a relief program included in the CARES Act, in fiscal year 2021.

Nonoperating Income
The District holds designated and restricted funds in its statements of net position that are invested primarily in money market funds and securities issued by the U.S. Treasury and its agencies and other federal agencies. These investments earned $4,616,000 and $4,150,000 during fiscal years 2021 and 2020, respectively. An unrealized loss on investments decreased investments by $3,638,000 in fiscal year 2021, and an unrealized gain on investments increased investments by $6,703,000 in fiscal year 2020. The District also recognized $14,304,000 in funding received as part of the Provider Relief Fund, a relief program included in the CARES Act, in fiscal year 2021.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between fiscal years 2021 and 2020:

Overall activity at the District, as measured by patient discharges, increased by 0.9% to 10,771 in 2021, compared to 10,672 in 2020. Patient days decreased by 6.1% from 51,971 in 2020 to 48,761 in 2021. As a result, the average length of stay for the District decreased by 6.1% with the stay length at 4.6 days in 2021 compared to 4.9 days in 2020.

Inpatient revenue decreased for TGMC but increased for SRMC in fiscal year 2021, while outpatient revenue increased for TGMC but decreased for SRMC. As a result of the decrease in gross revenue, net patient service revenue decreased $15,766,000, or 6%, in 2021 . Contractual allowances, excluding bad debt, increased to 68.5% of charges in 2021 from 66.5% in 2020.

Excluded from net patient service revenue are charges forgone for patient services falling under the District's charity care policy. Based on established rates, gross charges of $5,874,000 were forgone during 2021 compared to $8,651,000 in 2020, or a 32% decrease from the prior fiscal year. Provision for bad debts decreased by $3,035,000, or 15%, compared to the prior year.

Employee wages and compensation increased by $2,644,000 from the prior year. Salaries and benefits were 34.42% and 36.2% of total operating revenue in fiscal years 2021 and 2020, respectively. The cost of supplies and materials increased by $4,167,000, or 6%, due to an increase in demand during the pandemic. Purchased services increased during the year by $25,023,000, or 29%, mainly due to SRMC management fees. Professional fees increased during the year by $1,428,000, or 17%, as a result of increases in contract physicians. Other operating expenses decreased by $182,000, or 2%, due to utility expense. Depreciation expense increased by $670,000, or 4%, due to full year deprecation of recent additions. Total operating expenses increased by $33,750,000, or 11%, for the year ended March 31, 2021.

Capital Assets

During fiscal year 2021, the District invested in a broad range of capital assets included in Table 4 below:

TABLE 4
Capital Assets
(In Thousands

	2021	2020	Dollar Change	Percent Change
Land and Land Improvements	**$ 23,765**	$ 23,541	$ 224	1%
Building	**213,909**	207,708	6,201	3%
Equipment	**237,085**	236,270	815	0%
Subtotal	**474,759**	467,519	7,240	2%
Less: Accumulated Depreciation	**332,390**	329,239	3,151	1%
Construction in Progress	**1,835**	5,748	(3,913)	-68%
Net Capital Assets	**$ 144,204**	$ 144,028	$ 176	0%

Net capital assets have increased as the District continues to enhance existing facilities and invest in information technology, equipment, and other facility initiatives. During fiscal year 2021, TGMC spent approximately $17.2 million on equipment and facility initiatives and disposed of approximately $14.1 million of retired buildings and equipment. SRMC spent approximately $0.3 million on equipment. The District also has a strategic plan that incorporates a master facility plan for future expansion. The timing and priorities of the plan are available as a separate document.

In Table 5, the District's fiscal year 2022 capital budget projects spending up to $6,145,000 for capital projects, of which 84% is for replacement or regulatory/maintenance items. These projects will be financed from operations. The master facility spending plan will be funded from operations and designated investments. More information about the District's capital assets is presented in the notes to the financial statements.

TABLE 5
Fiscal Year 2022 Capital Budget
(In Thousands)

Master Facility Plan	$ 26,560
Contingency	1,000
Routine Capital	5,145
Total	$ 32,705

Long-Term Debt

At March 31, 2021, the District had $51,240,000 in long-term debt less a discount of $96,000, for a total debt figure of $51,144,000. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements. Total long-term debt outstanding represents 8.36% of the District's total assets and deferred outflows at March 31, 2021.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances. Questions concerning information provided in this report may be addressed to the Office of Vice President of Financial Services, 8166 Main Street, Houma, Louisiana 70360.

Financial Analysis of the District

Financial Highlights for the Year Ended March 31, 2020

- The District's assets and deferred outflows increased by approximately $116,748,000, or 29%, primarily due to the cash received and a receivable (other current assets) for the full Medicaid pricing program (FMP) between the State of Louisiana and the federal government.
- During the year, the District's total operating revenues increased from prior year by $31,599,000, or 11%, to $321,283,000, while operating expenses increased $24,032,000, or 8%, to $310,254,000. The District has income from operations of $11,029,000, which is 3.4% of total operating revenue and represents an increase of $3,462,000 from prior year income from operations. The District has income from operations due to an increase in outpatient revenue. Expenses increased due to salaries and purchased services.
- During fiscal year 2020, the District qualified to receive grant funding from eligible supplemental Medicaid payments. The amount of this funding included in total operating revenue for the year is $33,253,000, a decrease of $1,150,000 from 2019 (includes a decrease of $124,000, or 1.8%, from prior year for TGMC only, and a decrease of $1,026,000, or 3.8%, for SRMC only).
- Investment income increased over prior year by $4,817,000 due to an increase in unrealized gain on investments of $4,073,000. In the prior year, investments incurred an unrealized gain of $2,630,000, and in fiscal year 2020, investments incurred an unrealized gain of $6,703,000 from market changes.
- During the fiscal year, the District made significant capital acquisitions totaling approximately $11,537,000 including the following:
  - Continuation of various information technology projects including automated electronic medical record technology and its support systems
  - Upgrade to infrastructure of facilities
  - Various renovation projects of existing buildings
  - Purchase of diagnostic equipment due to improving technology

The source of the funding for these projects was derived from operations and drawing on investments as necessary.

Summary of Net Position

A summary of the District's Statements of Net Position at March 31, 2020 and 2019 is presented in Table 6 below:

TABLE 6
Condensed Statements of Net Position
(In Thousands)

	Restated 2020	2019	Dollar Change	Percent Change
Current Assets	**$ 209,051**	$ 100,435	$ 108,616	108%
Capital Assets, Net	**144,028**	147,289	(3,261)	-2%
Other Assets, Including Board Designated and Restricted Investments	**170,885**	159,228	11,657	7%
Deferred Outflows of Resources	**389**	653	(264)	-40%
Total Assets and Deferred Outflows	**$ 524,353**	$ 407,605	$ 116,748	29%
Current Liabilities	**$ 167,146**	$ 70,807	$ 96,339	136%
Long-Term Liabilities	**51,373**	55,665	(4,292)	-8%
Total Liabilities	**218,519**	126,472	92,047	73%
Deferred Inflows of Resources	**4,714**	-	4,714	100%
Net Investment in Capital Assets	**91,107**	87,375	3,732	4%
Restricted Net Position	**2,857**	5,343	(2,486)	-47%
Unrestricted Net Position	**207,156**	188,415	18,741	10%
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 524,353**	$ 407,605	$ 116,748	29%

As can be seen in Table 6, total assets and deferred outflows increased by $116,748,000 to $524,353,000 at March 31, 2020, up from $407,605,000 at March 31, 2019. The change in total assets results primarily from the increase in cash and receivables, primarily due to the FMP program.

Total current liabilities increased by $96,339,000 from March 31, 2019 to March 31, 2020, primarily as a result of the FMP program, timing of payments to Chabert Management LLC, and uncompensated care.

Summary of Revenues and Expenses

The following table presents a summary of the District's revenues and expenses for each of the years ended March 31, 2020 and 2019:

TABLE 7
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	2020	2019	**Dollar Change**	**Percent Change**
Net Patient Service Revenue	**$ 265,988**	$ 247,843	$ 18,145	7%
Other Revenue, Net	**55,295**	41,841	13,454	32%
Total Operating Revenue	**321,283**	289,684	31,599	11%
Salaries and Employee Benefits	**116,361**	100,252	16,109	16%
Supplies and Materials	**74,026**	74,272	(246)	0%
Purchased Services	**84,835**	75,039	9,796	13%
Professional Fees	**8,165**	9,287	(1,122)	-12%
Other Operating	**9,944**	10,121	(177)	-2%
Depreciation	**16,923**	17,251	(328)	-2%
Total Operating Expense	**310,254**	286,222	24,032	8%
Income from Operations	**11,029**	3,462	7,567	219%
Investment Income, Net	**11,368**	6,551	4,817	74%
Interest Expense and Amortization	**(1,861)**	(2,133)	272	13%
Other Expenses	**(549)**	(444)	(105)	-24%
Total Nonoperating Revenues (Expenses)	**8,958**	3,974	$ 4,984	125%
Change in Net Position	**19,987**	7,436		169%
Net Position				
Beginning of Period	**281,133**	273,697		
End of Period	**$ 301,120**	$ 281,133		

Sources of Revenue

Operating Revenue
During fiscal year 2020, the District derived the majority of its operating revenue from patient revenues. Patient revenues include revenues from the Medicare and Medicaid programs and patients, or their third-party insurers, who pay for care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party insurers is based upon established contracts. The difference between the covered charges and the expected payment is recognized as a contractual allowance.

Table 8 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31, 2020 and 2019:

TABLE 8
Payor Mix

	2020	2019
Medicare	**54%**	54%
Medicaid	**21%**	21%
Managed Care	**21%**	22%
Self-Pay and Other	**4%**	3%
Total Patient Revenues	**100%**	100%

Other Operating Revenue
The District also generated other operating income of $55,295,000 in fiscal year 2020 and $41,841,000 in fiscal year 2019. Of this amount, $33,253,000 in 2020 and $34,403,000 in 2019 relates to grants from supplemental Medicaid payments. The remaining income does not relate to patient revenues, and consists primarily of rental and retail income, reference lab income, cafeteria income, and other departmental income. Rental, retail, reference lab, and cafeteria income account for $4,394,000 and $4,238,000 in fiscal years 2020 and 2019, respectively.

Nonoperating Income
The District holds designated and restricted funds in its statements of net position that are invested primarily in money market funds and securities issued by the U.S. Treasury and its agencies and other federal agencies. These investments earned $4,150,000 and $2,829,000 during fiscal years 2020 and 2019, respectively. An unrealized gain on investments increased investments by $6,703,000 in fiscal year 2020 and $2,630,000 in fiscal year 2019.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between fiscal years 2020 and 2019:

Overall activity at the District, as measured by patient discharges, decreased by 4.8% to 10,672 in 2020 compared to 11,206 in 2019. Patient days decreased by 3.7% from the prior year from 53,958 in 2019 to 51,971 in 2020. As a result, the average length of stay for the District increased by 2.1% with the stay length at 4.9 days in 2020 compared to 4.8 days in 2019.

Inpatient revenue increased in fiscal year 2020 for both TGMC and SRMC, while outpatient revenue increased for TGMC but decreased for SRMC. As a result of increased gross revenue, net patient service revenue increased $18,145,000, or 7%, in 2020. Contractual allowances, excluding bad debt, decreased to 66.5% of charges in 2020 from 68.9% in 2019.

Excluded from net patient service revenue are charges forgone for patient services falling under the District's charity care policy. Based on established rates, gross charges of $8,651,000 were forgone during 2020 compared to $13,184,000 in 2019, or a 34% decrease from the prior fiscal year. Provision for bad debts increased by $6,935,000, or 51.9%, compared to the prior year.

Employee wages and compensation increased by $16,109,000 from the prior year. Salaries and benefits were 36.2% and 34.6% of total operating revenue in 2020 and 2019, respectively. This increase is primarily due to an increase in employed physicians at TGMC and an increase in health insurance expense.

Professional fees decreased over the prior year by 12%, or $1,122,000, as a result of the employed physicians that were included in professional fees in the previous year. The cost of supplies and materials decreased by $246,000, or .30%) due to SRMC. Purchased services increased during the year by $9,796,000, or 13%, mainly due to SRMC management fees. Other operating expenses decreased by $177,000, or 2%, due to utility expense. Depreciation expense decreased by $328,000, or 2%, due to aging of assets and replacement occurring in fiscal year 2020. Total operating expenses increased by $24,032,000, or 8%, for the year ended March 31, 2020.

Nonoperating revenue consists of interest earnings on funds designated by the Board of Commissioners and funds held by trustee under bond resolution. The changes in fair value of these investments are also included in this amount. Nonoperating revenue increased over the prior year due to an increase in the market value of investments compared to the prior year. Unrealized gains increased from the prior year by $4,073,000.

Capital Assets

During fiscal year 2020, the District invested in a broad range of capital assets included in Table 9 below:

TABLE 9
Capital Assets
(In Thousands)

	2020	2019	Dollar Change	Percent Change
Land and Land Improvements	**$ 23,541**	$ 23,368	$ 173	1%
Building	**207,708**	204,289	3,419	2%
Equipment	**236,270**	238,684	(2,414)	-1%
Subtotal	**467,519**	466,341	1,178	0%
Less: Accumulated Depreciation	**329,239**	322,016	7,223	2%
Construction in Progress	**5,748**	2,964	2,784	94%
Net Capital Assets	**$ 144,028**	$ 147,289	$ (3,261)	-2%

Net capital assets have decreased due to depreciation of current assets and equipment retirements; however, the District is continuing to enhance existing facilities and invest in information technology and other facility initiatives. During fiscal year 2021, the TGMC spent $4,831,000 of its 2020 capital budget and $4,498,000 on master facility plan spending. SRMC spent $2,204,000 on capital and received a transfer of capital assets of $2,125,000 from the management organization. The District also has a strategic plan that incorporates a master facility plan for future expansion. The timing and priorities of the plan are available as a separate document.

In Table 10, the District's fiscal year 2021 capital budget projects spending up to $6,082,000 for capital projects, of which 84% is for replacement or regulatory/maintenance items. These projects will be financed from operations. The master facility spending plan will be funded from operations and designated investments. More information about the District's capital assets is presented in the notes to the financial statements.

TABLE 10
Fiscal Year 2021 Capital Budget
(In Thousands)

Master Facility Plan	$	14,332
Contingency		1,000
Routine Capital		5,082
Total	$	20,414

Long-Term Debt and Bond Refunding

At March 31, 2020, the District had $53,485,000 in short-term and long-term debt less a discount of $108,000, for a total debt figure of$53,377,000. More detailed information about the District's long-term liabilities is presented in the notes to financial statements. Total long-term debt outstanding represents 10.28% of the District's total assets and deferred outflows at March 31, 2020.

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Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No.1 of
Terrebonne Parish, State of Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended March 31, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of March 31, 2021, 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.

Other Matter
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through xv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information on pages 32 through 38 the schedule of expenditures of federal awards, as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matter
The financial statements of the District, as of and for the year ended March 31, 2020, were audited by other auditors, whose report dated August 19, 2020, expressed an unmodified opinion on those financial statements. As discussed in Note 1 to the financial statements, the District has adjusted its 2020 financial statements to retrospectively apply the changes in accounting for leases. The other auditor reported on the financial statements before adjustment.

As part of our audit of the 2021 financial statements, we also audited the adjustments to the 2020 financial statements to retrospectively apply the change in accounting as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the District's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Covington, LA
August 25, 2021

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Net Position
March 31, 2021 and 2020 (In Thousands)

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	**$ 115,533**	$ 113,473
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments of $41,734 in 2021 and $46,579 in 2020	**16,277**	10,537
Estimated Net Receivables under Government Programs	**12,801**	18,141
Inventories	**7,641**	5,737
Prepaid Expenses	**3,202**	5,521
Other Current Assets	**129,305**	52,785
Funds Held By Trustee under Bond Resolution	**5,476**	2,857
Total Current Assets	**290,235**	209,051
Noncurrent Cash and Investments		
Designated by Board for Plant Replacement and Expansion, Including Accrued Interest of $686 in 2021 and $688 in 2020	**171,279**	163,702
Restricted for Capital Projects	**67**	67
Total Noncurrent Cash and Investments	**171,346**	163,769
Capital Assets		
Land and Land Improvements	**23,765**	23,541
Buildings	**213,909**	207,708
Equipment	**237,085**	236,270
Construction in Progress	**1,835**	5,748
Less: Accumulated Depreciation	**(332,390)**	(329,239)
Total Capital Assets, Net	**144,204**	144,028
Right-of-Use Assets	**684**	577
Other Assets	**7,342**	6,539
Total Assets	**613,811**	523,964
Deferred Outflows of Resources	**295**	389
Total Assets and Deferred Outflows of Resources	**$ 614,106**	$ 524,353

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Net Position (Continued)
March 31, 2021 and 2020 (In Thousands)**

	2021	Restated 2020
Liabilities and Net Position		
Current Liabilities		
Accounts Payable and Accrued Expenses	**$ 147,460**	$ 102,232
Accrued Employee Compensation	**10,706**	9,513
Accrued Interest Payable	**681**	612
Self-Insurance Reserves	**1,884**	1,363
Other Current Liabilities	**80,503**	50,845
Current Maturities of Long-Term Liabilities	**5,249**	2,581
Total Current Liabilities	**246,483**	167,146
Long-Term Liabilities		
Hospital Revenue Bonds, Net of Current Maturities	**46,349**	51,132
Lease Liability, Net of Current Maturities	**235**	241
Total Liabilities	**293,067**	218,519
Deferred Inflows of Resources	**3,803**	4,714
Net Position		
Net Investment in Capital Assets	**93,592**	91,107
Restricted for Debt Service	**5,542**	2,857
Unrestricted	**218,102**	207,156
Total Net Position	**317,236**	301,120
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 614,106**	$ 524,353

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended March 31, 2021 and 2020 (In Thousands)

	2021	2020
Operating Revenues		
Net Patient Service Revenue	**$ 250,222**	$ 265,988
Other Operating Revenue, Net	**95,345**	55,295
Total Operating Revenues	**345,567**	321,283
Operating Expenses		
Salaries, Wages, and Benefits	**119,005**	116,361
Supplies and Materials	**78,193**	74,026
Purchased Services	**109,858**	84,835
Professional Fees	**9,593**	8,165
Other Operating Expenses	**9,762**	9,944
Depreciation	**17,593**	16,923
Total Operating Expenses	**344,004**	310,254
Income from Operations	**1,563**	11,029
Nonoperating Revenues (Expenses)		
Provider Relief Funds	**14,304**	-
Investment Revenue Including Unrealized Gains (Losses) of ($3,638) in 2021 and $6,703 in 2020	**978**	10,854
Interest Expense	**(1,812)**	(1,861)
Gain on Other Investments	**1,469**	514
Bond Issuance Costs	**(5)**	(116)
Other Expenses	**(381)**	(433)
Total Nonoperating Revenues (Expenses)	**14,553**	8,958
Change in Net Position	**16,116**	19,987
Net Position, Beginning of Year	**301,120**	281,133
Net Position, End of Year	**$ 317,236**	$ 301,120

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020 (In Thousands)

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Patient Services	**$ 305,679**	$ 319,894
Cash Paid to or on Behalf of Employees	**(117,812)**	(114,608)
Cash Paid for Supplies and Services	**(185,497)**	(123,780)
Net Cash Provided by Operating Activities	**2,370**	81,506
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	**(17,473)**	(11,537)
Principal Payments on Long-Term Debt	**(2,581)**	(3,799)
Bond Issuance Costs	**(5)**	(116)
Interest Payments	**(1,743)**	(1,799)
Provider Relief Fund Proceeds	**25,216**	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**3,414**	(17,251)
Cash Flows from Investing Activities		
Interest Received on Investments	**4,616**	11,368
Noncurrent Cash Equivalents, Net	**(90,793)**	(140,375)
Proceeds on Sales or Maturity of Investments	**82,453**	129,989
Net Cash (Used in) Provided by Investing Activities	**(3,724)**	982
Increase in Cash and Cash Equivalents	**2,060**	65,237
Cash and Cash Equivalents, Including Noncurrent Cash and Cash Equivalents		
Beginning of Year	**113,473**	48,236
End of Year	**$ 115,533**	$ 113,473

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Cash Flows (Continued)
For the Years Ended March 31, 2021 and 2020 (In Thousands)

	2021	2020
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities		
Income from Operations	**$ 1,563**	$ 11,029
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities		
Provision for Bad Debts	**17,262**	20,297
Depreciation and Amortization	**17,593**	16,923
Donated Assets	**-**	(2,125)
Amortization of Deferred Loss on Advance Refunding	**94**	-
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable	**(23,002)**	(19,247)
Government Program Receivables	**3,443**	(2,439)
Other Assets	**(51,446)**	(64,511)
Accounts Payable and Accrued Liabilities	**36,863**	121,579
Net Cash provided by Operating Activities	**$ 2,370**	$ 81,506

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

Organization

Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District), a political subdivision of the State of Louisiana and a component unit of the Terrebonne Parish Consolidated Government, owns and operates Terrebonne General Medical Center (TGMC), Southern Regional Medical Corporation (SRMC), Physician Practice Partners (PPP), Acquisitions of Developing Organizations (AODO), Terrebonne Quality Health Network (TQHN), and Quality and Outcome Improvement Network, Inc. (QIN). The TGMC campus is a 321-bed acute care facility, and the SRMC campus is a 156-bed facility, providing comprehensive medical services in southeast Louisiana. PPP was formed to employ physicians performing professional services on the TGMC campus. AODO, doing business as Diagnostic Imaging Center of Terrebonne, is an imaging center providing imaging services in southeast Louisiana off the campus of TGMC. TQHN is a clinically integrated network organized to improve quality, coordination, efficiency, and delivery of health services to the community. QIN is organized and shall be operated exclusively for the purpose of fulfilling its Member's purpose of providing access and quality healthcare services to high-risk Medicaid populations and engaging in any lawful activity permitted to be carried on by a non-profit corporation organized as such in the State of Louisiana and as directed by QIN's Member. QIN works with the Healthy Louisiana Medicaid managed care organizations and other hospitals to improve the availability and quality of care in Louisiana.

Basis of Presentation

The financial statements of the District include TGMC and SRMC, wholly-owned non-profit corporations formed for the purpose of entering into an agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the Louisiana Division of Administration (DOA), and the State of Louisiana through the Division of Administration (the State), and the Louisiana Department of Health and Hospitals (DHH). The accompanying financial statements also include TGMC, and also include the District's controlled subsidiaries, PPP, AODO, TQHN, and QIN. All significant intercompany balances and transactions have been eliminated in the financial statements.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents
Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Commissioners' designation or under trust agreements.

Inventories
Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

Investments
Investments are stated at fair value. Investments and the associated accrued interest are classified as noncurrent due to these funds being designated by the Board of Commissioners for funded reserves and expenditure in the acquisition or construction of capital assets. Investment income is reported as nonoperating revenues.

Other Assets
Other assets include an investment in a purchasing group, certificates of deposit that are pledged as security under various insurance plans, FMP receivables, and receivables from Medicaid managed care organizations related to QIN.

Capital Assets
Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Property is recorded at acquisition cost. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets, which range from 2 to 39 years. Depreciation expense was approximately $17,593,000 and $16,923,000 for the years ended March 31, 2021 and 2020, respectively.

Deferred Outflows and Inflows
Deferred outflows of resources represent the consumption of the government's net position that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. The District's deferred outflows at March 31, 2021 and 2020 consist of deferred amounts on bond refinancing. The District’s deferred inflows at March 31, 2021 and 2020 consist of amounts associated with the lease of the District’s assets.

Net Position
In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted.

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

These classifications are defined as follows:

Net Investment in Capital Assets
This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted
This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted
All other net position is reported in this category.

Revenue and Expenses

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are included in operating income; all peripheral transactions are reported as nonoperating revenues and expenses. Other operating income for fiscal years 2021 and 2020 includes approximately $62,999,000 and $33,253,000, respectively, which relates to grants from supplemental Medicaid payments. Operating expenses are all expenses incurred to provide health services, other than financing costs.

Custodial Transactions

Operations of QIN are considered custodial transactions in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Thus, the District does not report revenues or expenses related to payments received from Louisiana Medicaid managed care organizations or payments made to hospitals. When QIN receives payments from Louisiana Medicaid managed care organizations, related liabilities are accrued and subsequently paid to participating hospitals.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Note 1. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Accounts Receivable

The District provides credit in the normal course of operations to patients located primarily in southeast Louisiana and to insurance companies conducting operations in this area.

The District maintains allowances for contractual adjustments and doubtful accounts based on management's assessment of collectability, current economic conditions, and prior experience. The District determines if patient accounts receivable are past due based on the discharge date; however, the District does not charge interest on past due accounts. The District charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful.

For the year ended March 31, 2021 and 2020, the District recorded allowance for doubtful accounts totaling approximately $17,393,000 and $15,256,000, respectively.

Charity Care

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 pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges forgone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided. The District's charity care provided during the years ended March 31, 2021 and 2020, measured at established rates totaled approximately $14,151,000 and $21,564,000 respectively. See Note 12 for further details of the District's community support.

Income Taxes

The District is exempt from federal income taxation as a political subdivision of the State of Louisiana and, accordingly, the accompanying financial statements do not include any provision for income taxes.

Professional Liability Claims

The provision for estimated malpractice claims includes estimates of the ultimate cost for both reported claims and claims incurred but not reported. The District has not experienced material losses from professional liability claims in the past.

Compensated Absences

The District's employees earn vacation days at varying rates depending on years of service. Generally, on the employee's anniversary date, any unused days greater than one-year accrual would expire. Employees also earn sick leave benefits; however, sick leave does not vest and is not accrued.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the allowance for uncollectible accounts receivable and amounts estimated to be recovered from third-party payors are particularly sensitive estimates and are subject to change.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. The District suspended non-emergent or non-critical surgeries, procedures, and appointments beginning in mid-March through early-May in 2020 due to COVID-19. The CARES Act established a Provider Relief Fund to be used for economic support of healthcare entities in connection with healthcare-related expenses or lost revenues attributable to COVID-19 and treatment of uninsured COVID-19 patients. Healthcare entities such as the District would recognize these funds as subsidies that are subject to eligibility requirements. For the year ended March 31, 2021, the District received approximately $25.2 million through the Provider Relief Fund program. Based on the terms of the Provider Relief Fund program and the guidance provided by the United States Department of Health and Human Services (HHS), the District recognized $14.3 million in funding as revenue for the year ended March 31, 2021, and deferred approximately $10.9 million at March 31, 2021, which is included in other current liabilities on the statement of net position. In accordance with GASB Technical Bulletin 2020-1, this amount is recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position. HHS continues to issue new reporting requirements for the Provider Relief Fund program, which may impact the recognition of these funds in future periods.

The District also received funds through the Coronavirus Relief Fund program, which was funded through United States Department of Treasury to states and eligible local governments. These funds are considered voluntary non-exchange transactions that are subject to eligibility requirements and recognized when expended for their intended purpose. For the year ended December 31, 2020, the District received approximately $6.9 million through the Coronavirus Relief Fund program, which is recognized as other operating revenue in the statement of revenues, expenses, and changes in net position.

Note 1. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act (Continued)

Under the CARES Act, the District also received approximately $37.3 million in advances under the Medicare Accelerated and Advance Payments Program (AAPP). Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) which were enacted October 1, 2020, the District will not be subject to recoupment of its Medicare payments for a period of one year from the date it received its AAPP payments. Starting on the date that is one year from its receipt of the AAPP payments, repayment will be made out of the District's future Medicare payments.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net position.

Accounting Pronouncements - Adopted

For 2021, the District implemented GASB Statement No. 87, *Leases*. GASB 87 enhances the relevance and consistency of information of the District's leasing activities. 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. GASB 87 requires that changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements for all prior periods presented The District has restated its 2020 financial statements. The impact of the adoption of GASB 87 to the 2020 financial statements is reflected in the statement of net position as follows (in thousands):

	As Previously Reported	As Restated	Increase (Decrease)
Other Current Assets	$ 48,071	$ 52,785	$ 4,714
Right-of-Use Lease Asset	-	577	577
Current Maturities of Long-Term Liabilities	2,245	2,581	336
Lease Liability, Net of Current Maturities	-	241	241
Deferred Outflows of Resources	-	4,714	4,714

Accounting Pronouncements Issued but Not Yet Adopted

In May 2020, the GASB issued Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. The objective of GASB 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. Management is evaluating the potential impact of adoption on the District's financial statements

Note 2. Cash and Cash Equivalents and Investments

The composition of designated and restricted cash and investments at March 31, 2021 is set forth below (in thousands):

March 31, 2021	Cash and Cash Equivalents	Fixed Income Investments	Other Assets	Total
Board-Designated -	$ 1,371	$ 163,849	$ 6,014	$ 171,234
Discounts/Premium	-	(641)	-	(641)
Accrued Interest	-	-	686	686
Total Board-Designated	1,371	163,208	6,700	171,279
Restricted -				
2013 Bond Issue				
Interest Expense Fund	303	-	-	303
Principal Fund	195	-	-	195
Total 2013 Bond Issue	498	-	-	498
2016 Supplemental Bond Issue				
Interest Expense Fund	113	-	-	113
Principal Fund	1,965	-	-	1,965
Construction Fund	67	-	-	67
Total 2016 Supplemental Bond Issue	2,145	-	-	2,145
2017 Supplemental Bond Issue				
Interest Expense Fund	107	-	-	107
Principal Fund	965	-	-	965
Total 2017 Supplemental Bond Issue	1,072	-	-	1,072
2020 Supplemental Bond Issue				
Interest Expense Fund	158	-	-	158
Principal Fund	1,670	-	-	1,670
Total 2020 Supplemental Bond Issue	1,828	-	-	1,828
Total Board-Designated and Restricted Cash and Cash Equivalents and Investments	$ 6,914	$ 163,208	$ 6,700	$ 176,822

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

The composition of designated and restricted cash and investments at March 31, 2020 is set forth below (in thousands):

March 31, 2020	Cash and Cash Equivalents	Fixed Income Investments	Other Assets	Total
Board-Designated -	$ 11,832	$ 152,053	$ -	$ 163,885
Discounts/Premium	-	(871)	-	(871)
Accrued Interest	-	-	688	688
Total Board-Designated	11,832	151,182	688	163,702
Restricted -				
2013 Bond Issue				
Interest Expense Fund	307	-	-	307
Principal Fund	180	-	-	180
Total 2013 Bond Issue	487	-	-	487
2016 Supplemental Bond Issue				
Interest Expense Fund	131	-	-	131
Principal Fund	1,925	-	-	1,925
Construction Fund	67	-	-	67
Total 2016 Supplemental Bond Issue	2,123	-	-	2,123
2017 Supplemental Bond Issue				
Interest Expense Fund	108	-	-	108
Principal Fund	140	-	-	140
Total 2017 Supplemental Bond Issue	248	-	-	248
2020 Supplemental Bond Issue				
Interest Expense Fund	66	-	-	66
Principal Fund	-	-	-	-
Total 2020 Supplemental Bond Issue	66	-	-	66
Total Board-Designated and Restricted Cash and Cash Equivalents and Investments	$ 14,756	$ 151,182	$ 688	$ 166,626

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

Louisiana state statutes authorize the District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Due to these restrictions, the District does not have a formal policy that limits the types of investments. During the years ended March 31, 2021 and 2020, the District invested primarily in securities issued by the U.S. Treasury and other federal agencies. The District has a $25,000,000 named wind storm deductible on its insurance policy and has designated a portion of these funds to cover any outlay that may result from such an event.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized ratings systems are a tool with which to assess credit risk on debt obligations. The following table can be used in determining the level of exposure to credit risk as of March 31, 2021 and 2020 (in thousands):

Risk Rating	**Fair Value at 3/31/21**	**Fair Value at 3/31/20**
AAA	$ 59,869	$ 62,463
AA	28,833	14,623
A	10,467	5,513
BBB	-	-
Other	6,014	312
	105,183	82,911
U.S. Government or Obligations Explicitly Guaranteed	64,039	68,271
Total	$ 169,222	$ 151,182

Obligations of the U.S. government or explicitly guaranteed by the U.S. government are not considered to have credit risk. The investments qualifying for this classification total $64,039,000 and $68,271,000 in fair market value at March 31, 2021 and 2020, respectively. The District had investments in obligations that are implicitly guaranteed by the U.S. government and therefore have credit risk exposure, with a fair value of $105,183,000 and $82,911,000 at March 31, 2021 and 2020, respectively.

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

Concentration of Credit Risk

Per GASB Statement 40, *Deposit and Investment Risk Disclosures,* concentration of credit risk is defined as the risk of loss attributed to the magnitude of government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. The District has investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association that represented 11.1% and 23.9%, respectively, of the total investments at March 31, 2021, and 8.9% and 21.8%, respectively, of the total investments at March 31, 2020.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. As of March 31, 2021, $88,291,890 of the District's bank balance of $88,685,030 was exposed to credit risk as uninsured and collateralized with securities held by the pledging financial institution. As of March 31, 2020, $41,616,464 of the District's bank balance of $76,320,845 was exposed to credit risk as uninsured and collateralized with securities held by the pledging financial institution. At March 31, 2020, $32,495,783 of the District's bank balance was uninsured and not collateralized.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of March 31, 2021and 2020, the District was not exposed to custodial credit risk for its investments as all were registered in the name of the District.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio.

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

Interest Rate Risk - Investments (Continued)

The tables below summarize the District's segmented time distribution investment maturities in years by investment type as of March 31, 2021 and 2020 (in thousands):

		Maturity in Years		
Investment Type	**Fair Value**	**<1**	**1 to 5**	**>5**
U.S. Treasuries	**$ 32,949**	**$ 1,015**	**$ 18,918**	**$ 13,016**
Federal National Mortgage Association	**40,472**	**4**	**6,917**	**33,551**
Federal Home Loan Mortgage Corporation	**18,762**	**567**	**2,660**	**15,535**
Government National Mortgage Association	**9,783**	**-**	**413**	**9,370**
Small Business Association	**18,119**	**45**	**2,840**	**15,234**
Other Securities Guaranteed by the U.S. Government	**3,188**	**1,573**	**-**	**1,615**
Corporate and Municipal Debt Securities	**39,935**	**3,584**	**25,842**	**10,509**
Certificates of Deposit	**6,014**	**3,014**	**3,000**	**-**
Total	**$ 169,222**	**$ 9,802**	**$ 60,590**	**$ 98,830**

		Maturity in Years		
Investment Type	Fair Value	<1	1 to 5	>5
U.S. Treasuries	$ 33,445	$ -	$ 12,089	$ 21,356
Federal National Mortgage Association	33,005	1,742	2,942	28,321
Federal Home Loan Bank	1,512	1,512	-	-
Federal Home Loan Mortgage Corporation	13,472	-	2,142	11,330
Government National Mortgage Association	15,174	-	607	14,567
Small Business Association	19,204	8	2,642	16,554
U.S. Department of Housing and Urban Development	450	-	64	386
Corporate and Municipal Debt Securities	34,920	990	27,075	6,855
Total	$ 151,182	$ 4,252	$ 47,561	$ 99,369

Note 3. Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of March 31, 2021 and 2020. GASB Statement No. 72, *Fair Value Measurement and Application,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

Note 3. Fair Value Measurements (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data. Level 3 investments consist primarily of real estate, either directly held or through a limited liability corporation or partnership investment. They are valued using independent appraisals or other market data.

A summary of the District's investments along with the fair value hierarchy levels of each type of investment is as follows as of March 31, 2021 (in thousands):

March 31, 2021	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	$ 32,949	$ 32,949	$ -	$ -
Federal National Mortgage Association	40,472	-	40,472	-
Federal Home Loan Mortgage Corporation	18,762	-	18,762	-
Government National Mortgage Association	9,783	-	9,783	-
Small Business Association	18,119	-	18,119	-
Other Securities Guaranteed by the U.S. Government	3,188	-	3,188	-
Total Fixed Income Securities	123,273	32,949	90,324	-
Corporate and Municipal Debt Securities	39,935	-	37,911	2,024
Certificates of Deposit	6,014	-	6,014	-
Total Investments by Fair Value Level	$ 169,222	$ 32,949	$ 134,249	$ 2,024

Note 3. Fair Value Measurements (Continued)

A summary of the District's investments along with the fair value hierarchy levels of each type of investment is as follows as of March 31, 2020 (in thousands):

March 31, 2020	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	$ 33,445	$ -	$ 33,445	$ -
Federal National Mortgage Association	33,005	-	33,005	-
Federal Home Loan Bank	1,512	-	1,512	-
Federal Home Loan Mortgage Corporation	13,472	-	13,472	-
Government National Mortgage Association	15,174	-	15,174	-
Small Business Association	19,204	-	19,204	-
Other Securities Guaranteed by the U.S. Government	450	-	450	-
Total Fixed Income Securities	116,262	-	116,262	-
Corporate and Municipal Debt Securities	34,920	29,145	5,775	-
Total Investments by Fair Value Level	$ 151,182	$ 29,145	$ 122,037	$ -

Note 4. Capital Assets

The summary of changes in capital assets for the year ended March 31, 2021 is as follows (in thousands):

	Balance March 31, 2020	Additions	Retirements/ Transfers	Balance March 31, 2021
Capital Assets Not Being Depreciated				
Land	$ 15,118	$ -	$ -	$ 15,118
Construction in Progress	5,748	-	(3,913)	1,835
Total Capital Assets Not Being Depreciated	20,866	-	(3,913)	16,953
Capital Assets Being Depreciated				
Land Improvements	8,423	228	(4)	8,647
Buildings	207,708	7,033	(832)	213,909
Equipment	236,270	14,122	(13,307)	237,085
Total Capital Assets Being Depreciated	452,401	21,383	(14,143)	459,641
Less: Accumulated Depreciation				
Land Improvements	7,920	142	(4)	8,058
Buildings	125,035	7,263	(832)	131,466
Equipment	196,284	9,889	(13,307)	192,866
Total Accumulated Depreciation	329,239	17,294	(14,143)	332,390
Capital Assets Being Depreciated, Net	123,162	4,089	-	127,251
Total Capital Assets, Net	$ 144,028	$ 4,089	$ (3,913)	$ 144,204

Note 4. Capital Assets (Continued)

The summary of changes in capital assets for the year ended March 31, 2020 is as follows (in thousands):

	Balance March 31, 2019	Additions	Retirements/ Transfers	Balance March 31, 2020
Capital Assets Not Being Depreciated				
Land	$ 15,118	$ -	$ -	$ 15,118
Construction in Progress	2,964	17,143	(14,359)	5,748
Total Capital Assets Not Being Depreciated	18,082	17,143	(14,359)	20,866
Capital Assets Being Depreciated				
Land Improvements	8,250	173	-	8,423
Buildings	204,289	3,812	(393)	207,708
Equipment	238,684	6,924	(9,338)	236,270
Total Capital Assets Being Depreciated	451,223	10,909	(9,731)	452,401
Less: Accumulated Depreciation				
Land Improvements	7,719	201	-	7,920
Buildings	118,446	6,980	(391)	125,035
Equipment	195,851	9,742	(9,309)	196,284
Total Accumulated Depreciation	322,016	16,923	(9,700)	329,239
Capital Assets Being Depreciated, Net	129,207	(6,014)	(31)	123,162
Total Capital Assets, Net	$ 147,289	$ 11,129	$ (14,390)	$ 144,028

Note 5. Hospital Revenue Bonds

The following table summarizes the District's outstanding revenue bonds at March 31, 2021 (in thousands):

	March 31, 2020	Additions	Deductions	March 31, 2021	Due Within One Year
Hospital Revenue Bonds, Series 2013, 2.75% to 4%	$ 15,830	$ -	$ 180	$ 15,650	$ 195
Hospital Revenue Bonds, Series 2016, 1.83%	14,290	-	1,925	12,365	1,965
Hospital Revenue Bonds, Series 2017, 2.49%	8,705	-	140	8,565	965
Hospital Revenue Bonds, Series 2020, 2.15%	14,660	-	-	14,660	1,670
	53,485	-	2,245	51,240	4,795
Less: Bond Discount	108		12	96	-
Long-Term Portion of Hospital Revenue Bonds	$ 53,377	$ -	$ 2,233	$ 51,144	$ 4,795

Note 5. Hospital Revenue Bonds (Continued)

The following table summarizes the District's outstanding revenue bonds at March 31, 2020 (in thousands):

	March 31, 2019	Additions	Deductions	March 31, 2020	Due Within One Year
Hospital Revenue Bonds, Series 2010, 3.0% to 5.0%	$ 18,740	$ -	$ 18,740	$ -	$ -
Hospital Revenue Bonds, Series 2013, 2.75% to 4%	16,010	-	180	15,830	180
Hospital Revenue Bonds, Series 2016, 1.83%	16,180	-	1,890	14,290	1,925
Hospital Revenue Bonds, Series 2017, 2.49%	8,840	-	135	8,705	140
Hospital Revenue Bonds, Series 2020, 2.15%	-	14,660	-	14,660	-
	59,770	14,660	20,945	53,485	2,245
Add: Bond Premium	330	-	330	-	
Less: Bond Discount	120		12	108	-
Long-Term Portion of Hospital Revenue Bonds	$ 59,980	$ 14,660	$ 21,263	$ 53,377	$ 2,245

On January 1, 2020, the District completed the issuance of $14,660,000 of Series 2020 Revenue Refunding Bonds for the purpose of refunding the 2010 Series Bonds and paying for the cost of issuing the bonds. The 2020 bonds are serial bonds with semiannual interest payments due April 1st and October 1st of each year. The bonds mature in calendar year 2028 and are subject to mandatory redemption in varying amounts through 2028. The District is funding maturities through a sinking fund that requires the District to fund debt service up to approximately $1,990,000 annually through fiscal year 2029. The bonds are secured by a pledge and assignment of all revenue, after operating expenses, derived by the District. The bonds are also secured by a mortgage and security agreement of the land on which the District is located. Under the terms of the bond agreement, certain maturities of principal due on the bonds, as well as interest accruing on the bonds, must be funded to the trustee prior to actual payment to the bondholders.

On September 28, 2017, the District completed the issuance of $8,970,000 of Series 2017 Revenue Refunding Bonds to refund a portion of the 2010 Series Bonds and pay for the cost of issuing the bonds. The 2017 bonds are serial bonds with semiannual interest payments due April 1st and October 1st of each year. The bonds mature in calendar year 2028 and are subject to mandatory redemption in varying amounts through 2028. The District is funding maturities through a sinking fund that requires the District to fund debt service up to approximately $1,170,000 annually through fiscal year 2029. The bonds are secured by a pledge and assignment of all revenue, after operating expenses, derived by the District. The bonds are also secured by a mortgage and security agreement of the land on which the District is located. Under the terms of the bond agreement, certain maturities of principal due on the bonds, as well as interest accruing on the bonds, must be funded to the trustee prior to actual payment to the bondholders.

Note 5. Hospital Revenue Bonds (Continued)

On August 1, 2016, the District completed the issuance of $20,000,000 of Series 2016 Bonds. The 2016 bonds are serial bonds with semiannual interest payments due April 1st and October 1st of each year. The bonds mature in calendar year 2026 and are subject to mandatory redemption in varying amounts through 2026. The District is funding maturities through a sinking fund that requires the District to fund debt service up to approximately $2,160,000 annually through fiscal year 2027. The bonds are secured by a pledge and assignment of all revenue, after operating expenses, derived by the District. The bonds are also secured by a mortgage and security agreement of the land on which the District is located. Under the terms of the bond agreement, certain maturities of principal due on the bonds, as well as interest accruing on the bonds, must be funded to the trustee prior to actual payment to the bondholders.

On April 1, 2013, the District completed the issuance of $16,815,000 of Series 2013 Revenue Refunding Bonds to refund the Series 2003 Bonds and pay for the cost of issuing the bonds. The 2013 bonds are serial bonds with semiannual interest payments due April 1st and October 1st of each year. The bonds mature in varying installments through calendar year 2034 and the bonds maturing in 2029 and 2033 are subject to mandatory redemption through a sinking fund that requires the District to fund debt service up to approximately $4, 105,000 annually through fiscal year 2034. The bonds are secured by a pledge and assignment of all revenue, after operating expenses, derived by the District. The bonds are also secured by a mortgage and security agreement of the land on which the District is located. Under the terms of the bond agreement, certain maturities of principal due on the bonds, as well as interest accruing on the bonds, must be funded to the trustee prior to actual payment to the bondholders.

The scheduled maturities of the long-term debt are as follows (in thousands):

March 31,	Principal	Interest
2022	$ 4,795	$ 1,309
2023	4,905	1,206
2024	5,015	1,101
2025	5,175	992
2026	5,290	881
2027 - 2031	20,190	2,811
2032 - 2034	5,870	358
Total	$ 51,240	$ 8,658

The District was in compliance with all covenants of its outstanding bond issues at March 31, 2021 and 2020.

Note 6. Third-Party Payor Arrangements

The District receives payment from federal and state agencies (under Medicare and Medicaid programs) for services rendered to program beneficiaries. A summary of the percentage of the District's net patient revenue related to patients participating in the Medicare and Medicaid programs is as follows:

	2021	2020
Medicare	48.9%	49.8%
Medicaid	14.6%	12.6%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near-term. The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Regulations in effect require annual retroactive settlements for costs reimbursed under these federal programs based upon cost reports filed by the District. The difference between the estimate of these settlements and the final determination of amounts earned under cost reimbursement and prospective payment activities is subject to review by the appropriate governmental authority or its agents. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near-term. These adjustments resulted in a change to net patient service revenue of $1,583,078 in 2021 and $(1,237,816) in 2020. Estimated settlements through March 31, 2018 for the Medicare program, and through March 31, 2015 for the Medicaid program have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the recorded estimates required. The settlement of these cost reports provides the District with updated information that serves as the basis to adjust estimated settlement amounts. Management believes that adequate provision has been made for adjustments that may result from the final determination of amounts earned under these programs.

Note 7. Net Patient Service Revenue

Net patient service revenue was comprised of the following (in thousands):

	2021	2020
Total Gross Patient Service Charges, Excluding Charity Care	$ 848,832	$ 854,912
Contractual and Other Allowances		
Medicare	309,008	321,821
Medicaid	139,050	139,890
Managed Care Organizations	69,344	89,194
Other	63,946	17,722
Provisions for Bad Debts	17,262	20,297
Total Contractual and Other Allowances	598,610	588,924
Net Patient Service Revenue	$ 250,222	$ 265,988

Note 8. Retirement Plans

The District has a contributory money accumulation pension plan covering all of its full-time employees of TGMC. Plan participants may contribute to the pension plan. The District contributes amounts from 4% to 5% of each participant's salary to the plan depending upon length of service. Pension expense was approximately $2,672,000 in 2021 and $2,583,000 in 2020.

The District has a deferred compensation plan open to SRMC employees who are over the age of 18 and who have met eligibility requirements. Contributions by the District include matching contributions to the employee up to 2% of the employee's compensation. Total employer contributions to the plan were approximately $302,000 in 2021 and $319,000 in 2020.

Note 9. Commitments and Contingencies

The District participates in the State of Louisiana Patients' Compensation Fund (the Fund) for professional liability coverage. As a participant, the District receives professional liability coverage on a claims-occurrence basis for claims up to the $500,000 statutory limitation per occurrence. However, the District is self-insured with respect to the first $100,000 of each claim.

The District is self-insured for workers' compensation up to $500,000 per claim and for employee health insurance up to $250,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

The District purchased commercial insurance that provides coverage for professional liability, workers' compensation, and employee health claims in excess of the self-insured limits. Changes in the District's aggregate claims liability for medical malpractice, workers' compensation, and employee health insurance in fiscal years 2021 and 2020 were as follows (in thousands):

Year Ended March 31,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
2021	$ 1,363	$ 7,408	$ 6,887	$ 1,884
2020	$ 1,295	$ 7,725	$ 7,657	$ 1,363

Insurance coverage for other loss and liability exposures is maintained at levels considered appropriate by management. The District has been named as a defendant in various legal actions arising from normal business activities, in which damages in various amounts are claimed. The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the District's financial position.

The District has signed several contracts with major contractors for various projects. A majority of these projects are for replacement of equipment. The detailed terms of these agreements are proprietary, and they will result in an estimated cost of $14,463,000.

Note 10. Leases

Lessee
The following tables present the components of the District's right-of-use assets and accumulated amortization at March 31, 2021 and 2020 (in thousands):

March 31, 2021	**Asset Amount**	**Accumulated Amortization**	**Net Value**
Medical Equipment	**$ 1,637**	**$ 953**	**$ 684**

March 31, 2020	Asset Amount	Accumulated Amortization	Net Value
Medical Equipment	$ 895	$ 318	$ 577

A summary of the changes in the District's lease liabilities during fiscal years 2021 and 2020 is as follows (in thousands):

	March 31, 2020	**Additions/ Changes**	**Retirements/ Payments**	**March 31, 2021**	**Due Within One Year**
Lease Liabilities	**$ 577**	**$ 448**	**$ 336**	**$ 689**	**$ 454**

	March 31, 2019	Additions/ Changes	Retirements/ Payments	March 31, 2020	Due Within One Year
Lease Liabilities	$ 791	$ -	$ 214	$ 577	$ 336

Principal and interest payments due on lease liabilities are as follows (in thousands):

Year Ending March 31,	**Principal**	**Interest**
2022	$ 454	$ 4
2023	235	2
Total	$ 689	$ 6

Note 10. Leases (Continued)

Lessor

The District leases office space and clinical facilities, generally to members of its medical staff, under leases whose terms range from one to five years. The District has recorded a receivable and deferred inflow of resources totaling approximately $3.8 million and $4.7 million for the years ended March 31, 2021 and 2020, respectively. During the years ended March 31, 2021 and 2020, the District recognized approximately $1.6 million and $2.3 million, respectively, under the terms of these leases. The lease payments to be received from these leases during the next five years are as follows (in thousands):

Year Ending March 31,	Amount
2022	$ 1,450
2023	1,191
2024	942
2025	162
2026	160

Note 11. Risks and Uncertainties

A novel strain of coronavirus surfaced in another country and has spread around the world, resulting in business and social disruption. In March 2020, the novel coronavirus (COVID-19) global pandemic began affecting the District's employees, patients, communities, and operations, as well as the United States economy and financial markets. The Centers for Medicare and Medicaid Services and the Louisiana Department of Health requested the postponement of elective surgeries and other non-essential procedures and medical services from approximately March 19, 2020 until April 27, 2020. While disruption related to the pandemic is expected to be temporary, much of its future impact remains unknown and difficult to predict. There is a likelihood that this pandemic will affect the District's financial performance in fiscal year 2022 and potentially beyond. The related financial impact and duration cannot be reasonably estimated at this time.

Note 12. Community Support (Unaudited)

The District is an active and caring member of the community. Its mission of providing and improving medical care in the region as well as its participation in community activities is a long-standing tradition of service provided to benefit the broader community.

The District has served the community during the years ended March 31, 2021 and 2020 as follows (in thousands):

	2021	2020
Care for the Indigent		
Traditional Charity Care (in Charges)	$ 5,874	$ 8,651
Self Pay Discounts (in Charges)	8,277	12,913
Unreimbursed Government Program Costs		
Unpaid Costs of State Programs	6,130	5,738
Unpaid Costs of Federally Funded Programs	6,469	2,510
Benefits for Community and Region		
Community Health Services	1,286	1,414
Community Building Activities	114	114
Community Benefit Operations	215	222
Health Professions Education	345	365
Subsidized Health Services	4,164	2,711
Community Outreach	367	373
Costs and Services Directly Provided to the Community	6,491	5,199
Total Quantifiable Community Benefits	$ 33,241	$ 35,011

The amount reported as care for the indigent represents billings for services provided based on the District's charge rates to persons who cannot afford healthcare because of unavailable resources or who are uninsured. Benefits for the broader community include the unpaid cost of treating Medicare and Medicaid beneficiaries in excess of government payments and services provided to other needy populations that may not qualify as indigent but that require special services and support. Examples include the cost of health promotion and education, costs in providing access to services, and health clinics and screenings, all of which benefit the broader community.

OTHER SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO.1 OF TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Net Position
March 31, 2021 (In Thousands)

	TGMC	SRMC	Elimination	Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and Cash Equivalents	$ 87,172	$ 28,361	$ -	$ 115,533
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments of $41,734	10,127	6,150	-	16,277
Estimated Net Receivables under Government Programs	11,120	1,681	-	12,801
Inventories	6,356	1,285	-	7,641
Prepaid Expenses	2,983	219	-	3,202
Other Current Assets	17,903	111,402	-	129,305
Funds Held by Trustee under Bond Resolution	5,476	-	-	5,476
Total Current Assets	141,137	149,098	-	290,235
Noncurrent Cash and Investments				
Designated by Board for Plant Replacement and Expansion	171,279	-	-	171,279
Restricted for Capital Projects	67	-	-	67
Total Noncurrent Cash and Investments	171,346	-	-	171,346
Capital Assets				
Land and Land Improvements	23,765	-	-	23,765
Buildings	208,462	5,447	-	213,909
Equipment	227,966	9,119	-	237,085
Construction in Progress	1,807	28	-	1,835
Less: Accumulated Depreciation	(325,933)	(6,457)	-	(332,390)
Total Capital Assets, Net	136,067	8,137	-	144,204
Right-of-Use Assets	238	446	-	684
Other Assets	7,339	3	-	7,342
Total Assets	456,127	157,684	-	613,811
Deferred Outflows of Resources	295	-	-	295
Total Assets and Deferred Outflows of Resources	$ 456,422	$ 157,684	$ -	$ 614,106

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Net Position (Continued)
March 31, 2021 (In Thousands)

	TGMC	SRMC	Elimination	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Accounts Payable and Accrued Expenses	$ 71,607	$ 75,853	$ -	$ 147,460
Salaries and Employee Benefit Liabilities	8,609	2,097	-	10,706
Accrued Interest Payable	681	-	-	681
Self-Insurance Reserves	1,884	-	-	1,884
Other Current Liabilities	3,858	76,645	-	80,503
Current Maturities of Long-Term Liabilities	5,036	213	-	5,249
Total Current Liabilities	91,675	154,808	-	246,483
Long-Term Liabilities				
Hospital Revenue Bonds, Net of Current Maturities	46,349	-		46,349
Lease Liability, Net of Current Maturities	-	235	-	235
Total Liabilities	138,024	155,043	-	293,067
Deferred Inflows of Resources	3,803	-	-	3,803
Net Position				
Net Investment in Capital Assets	85,455	8,137	-	93,592
Restricted for Debt Service	5,542	-	-	5,542
Unrestricted	223,598	(5,496)	-	218,102
Total Net Position	314,595	2,641	-	317,236
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 456,422	$ 157,684	$ -	$ 614,106

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO.1 OF TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended March 31, 2021 (In Thousands)

	TGMC	SRMC	Elimination	Total
Operating Revenues				
Net Patient Service Revenue	$ 198,955	$ 51,267	$ -	$ 250,222
Other Operating Revenue, Net	26,997	68,348	-	95,345
Total Operating Revenues	225,952	119,615	-	345,567
Operating Expenses				
Salaries, Wages, and Benefits	104,727	14,278	-	119,005
Supplies and Materials	54,928	23,265	-	78,193
Purchased Services	27,036	82,822	-	109,858
Professional Fees	9,593	-	-	9,593
Other Operating Expenses	7,769	1,993	-	9,762
Depreciation	15,654	1,939	-	17,593
Total Operating Expenses	219,707	124,297	-	344,004
Income (Loss) from Operations	6,245	(4,682)	-	1,563
Nonoperating Revenues (Expenses)				
HHS Cares Act / Provider Relief Funds	9,604	4,700	-	14,304
Investment Revenue Including Unrealized Losses, Net	978	-	-	978
Interest Expense	(1,794)	(18)	-	(1,812)
Gain on Other Investments	1,469	-	-	1,469
Bond Issuance Costs	(5)	-	-	(5)
Other Revenue (Expenses)	(381)	-	-	(381)
Total Nonoperating Revenues (Expenses)	9,871	4,682	-	14,553
Change in Net Position	16,116	-	-	16,116
Net Position, Beginning of Year	298,479	2,641	-	301,120
Net Position, End of Year	$ 314,595	$ 2,641	$ -	$ 317,236

See independent auditor's report.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Cash Flows
For the Year Ended March 31, 2021 (In Thousands)

	TGMC	SRMC	Total
Cash Flows from Operating Activities			
Cash Received from Patient Services	$ 233,398	$ 72,281	$ 305,679
Cash Paid to or On Behalf of Employees	(104,162)	(13,650)	(117,812)
Cash Paid for Supplies and Services	(83,616)	(101,881)	(185,497)
Net Cash Provided by (Used in) Operating Activities	45,620	(43,250)	2,370
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(17,220)	(253)	(17,473)
Principal Payments on Long-Term Deb	(2,581)	-	(2,581)
Bond Issuance Costs	(5)	-	(5)
Interest Payment	(1,725)	(18)	(1,743)
P Provider Relief Fund Proceeds	13,462	11,754	25,216
Net Cash (Used in) Provided by Capital and Related Financing Activities	(8,069)	11,483	3,414
Cash Flows from Investing Activities			
Interest Received on Investments	4,616	-	4,616
Purchases of Investments	(90,793)	-	(90,793)
Proceeds on Sales or Maturity of Investments	82,453	-	82,453
Net Cash Used in Investing Activities	(3,724)	-	(3,724)
Increase (Decrease) in Cash and Cash Equivalents	33,827	(31,767)	2,060
Cash and Cash Equivalents, Including Noncurrent Cash and Cash Equivalents			
Beginning of Year	53,345	60,128	113,473
End of Year	$ 87,172	$ 28,361	$ 115,533

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Cash Flows (Continued)
For the Year Ended March 31, 2021 (In Thousands)

	TGMC	SRMC	Total
Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities			
Income from Operations	$ 6,245	$ (4,682)	$ 1,563
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities			
Provision for Bad Debts	8,752	8,510	17,262
Depreciation and Amortization	15,654	1,939	17,593
Amortization of Deferred Loss on Advance Refunding	94	-	94
Changes in Operating Assets and Liabilities			
Patient Accounts Receivable	(10,095)	(12,907)	(23,002)
Government Program Receivables	(2,583)	6,026	3,443
Other Assets	14,901	(66,347)	(51,446)
Accounts Payable and Accrued Liabilities	12,652	24,211	36,863
Net Cash Provided by (Used in) Operating Activities	$ 45,620	$ (43,250)	$ 2,370

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Gross Revenue Payor Mix Schedule
For the Year Ended March 31, 2021

	TGMC	SRMC
Medicare	59%	22%
Medicaid	14%	45%
Managed Care	25%	4%
Self-Pay and Other	2%	29%
Total Gross Patient Revenues	100%	100%

See independent auditor's report.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Chief Executive Officer
For the Year Ended March 31, 2021

Phyllis Peoples, CEO

Salary	$	674,158
Employer Paid Payroll Taxes		24,599
Benefits - Insurance		27,261
Benefits - Retirement		31,350
Dues		345
Special Meals		115
	$	757,828

See independent auditor's report.

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Revenue Recognized	Federal Expenditures
U.S. Department of the Treasury				
Passed through Louisiana Governor's Office of Homeland Security				
Disaster Grants - Coronavirus Relief Fund	21.019	N/A	$ 6,959,840	$ 6,959,840
Total - U.S. Department of the Treasury			6,959,840	6,959,840
Total Expenditures of Federal Awards			$ 6,959,840	$ 6,959,840

Notes to the Schedule of Expenditures of Federal Awards

Note A. Summary of Significant Accounting Policies

The schedule of expenditures of federal awards has been prepared on the accrual basis of accounting.

The District has elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

See independent auditor’s report.

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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*

Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 1 of
Terrebonne Parish, State of Louisiana

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 *Governmental Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District) as of and for the year ended March 31, 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 August 25, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A Professional Accounting Corporation

Covington, LA
August 25, 2021

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 1 of
Terrebonne Parish, State of Louisiana

Report on Compliance for Each Major Federal Program
We have audited Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended March 31, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2021.

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Covington, LA
August 25, 2021

HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2021

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

Program	CFDA No.
Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low risk auditee?	No

Part II - Financial Statement Findings

None.

Part III – Findings and Questioned Costs for Federal Awards

None.

2020-001 Concentration of Credit Risk

Condition: The QIN financial statements are included in the District's financial statements. QIN held deposits in a financial institution in excess of FDIC limits that were not secured by collateral.

Status: This finding has been resolved.