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

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

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Postlethwaite & Netterville

A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated 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 years ended March 31, 2020 and 2019, and the related notes to the consolidated financial statements, which collectively comprise the District's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to previously present fairly, in all material respects, the financial position of the District as of March 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis presented on pages 3 through 17, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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 consolidated financial statements as a whole. The other supplemental information on pages 41 through 47 are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated 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 consolidated 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 19, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
August 19, 2020

This section of the Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District), annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on March 31, 2020. 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 & 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 occupancy of 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 renewed 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 Consolidated Financial Statements

The Basic Consolidated 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 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 Revenue, 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 Revenue, 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 them. 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 health care 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, 2020

- The District's assets and deferred outflows increased by approximately $111,457,000 or 27%, 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 by $31,599,000 or 11% to $321,283,000 from prior year 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 from the $3,462,000 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 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 the 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.

Net Position

A summary of the District's Statements of Net Position is presented in Table 1 below.

Condensed Consolidated Statements of Net Position

TABLE 1

	March 31 2020	March 31 2019	Dollar Change	Percentage Change
Current assets	$204,337	$100,435	$103,902	103%
Capital assets, net	144,028	147,289	(3,261)	-2%
Other assets, including board designated and restricted investments	170,308	159,228	11,080	7%
Deferred outflows of resources	389	653	(264)	-40%
Total assets and deferred outflows	$519,062	$407,605	$111,457	27%
Current liabilities	$166,810	$70,807	$96,003	136%
Long-term liabilities	51,132	55,665	(4,533)	-8%
Total liabilities	217,942	126,472	91,470	72%
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 and net position	$519,062	$407,605	$111,457	27%

As can be seen in Table 1, total assets and deferred outflows increased by $111,457,000 to $519,062,000 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 $96,003,000 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 2
Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position

	March 31		Dollar	Percentage
	2020	2019	Change	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 (loss) from operations	11,029	3,462	7,567	219%
Investment income including net unrealized gains on investments	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	12,551	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 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31, 2020 and 2019.

TABLE 3
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.

Non-operating 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 year 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 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 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.

Non-operating 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 is also included in this amount. Non-operating 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 4 below.

TABLE 4
Capital Assets

	March 31 2020	March 31 2019	Dollar Change	Percentage 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 the fiscal year 2020, 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 5, 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 basic financial statements.

TABLE 5
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 basic consolidated financial statements. Total long term debt outstanding represents 10.28% of the District's total assets and deferred outflows at March 31, 2020.

Subsequent Events

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. Additional information on subsequent events is discussed in further detail in footnote 11 to the consolidated financial statements.

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 St. Houma, La. 70360.

Financial Analysis of the District

Financial Highlights for the Year Ended March 31, 2019

- The District's assets and deferred outflows increased by approximately $30,744,000 or 8%, primarily due to the cash received 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 by $18,561,000 or 7% to $289,684,000 from prior year while operating expenses increased $10,517,000, or 4%, to $286,222,000. The District has income from operations of $3,462,000, which is 1.2% of total operating revenue and represents an increase from the ($4,582,000) prior year loss from operations. The District has income from operations due to an increase in outpatient revenue. Expenses increased due to salaries, cost of drugs, medical supplies and implants.

- During fiscal year 2019, the District qualified to receive grant funding from eligible supplemental Medicaid payments. The amount of this funding in total operating revenue for the year is $34,403,000, a decrease of $5,738,000 from 2018 (includes a decrease of $1,481,000 or 17.3% from prior year for TGMC only, and a decrease of $4,257,000 or 13.5% for SRMC only).

- Investment income increased over prior year by $5,336,000 due to an increase in unrealized gain on investments of $5,146,000. In the prior year, investments incurred an unrealized loss of ($2,516,000), and in fiscal year 2019, investments incurred an unrealized gain of $2,630,000 from market changes.

- During the fiscal year, the District made significant capital acquisitions totaling approximately $12,198,000 including the following:

    - Continuation of various information technology projects including automated electronic medical record technology and its support systems
    - Upgrade the 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.

Net Position

A summary of the District's Statements of Net Position is presented in Table 1 below.

Condensed Consolidated Statements of Net Position

TABLE 1

	March 31 2019	March 31 2018	Dollar Change	Percentage Change
Current assets	$100,434	$71,617	$28,817	40%
Capital assets, net	147,290	152,343	(5,053)	-3%
Other assets, including board designated and restricted investments	159,228	152,104	7,124	5%
Deferred outflows of resources	653	797	(144)	-18%
Total assets and deferred outflows	$407,605	$376,861	$30,744	8%
Current liabilities	$70,807	$43,029	$27,778	65%
Long-term liabilities	55,665	60,135	(4,470)	-7%
Total liabilities	126,472	103,164	23,308	23%
Net investment in capital assets	87,376	88,222	(846)	-1%
Restricted net position	5,343	5,261	82	2%
Unrestricted net position	188,414	180,214	8,200	5%
Total liabilities and net position	$407,605	$376,861	$30,744	8%

As can be seen in Table 1, total assets and deferred outflows increased by $30,744,000 to $407,605,000 at March 31, 2019, up from $376,861,000 at March 31, 2018. The change in total assets results primarily from the increase in cash, primarily due to the FMP program.

Total current liabilities increased by $27,778,000 from March 31, 2018 to March 31, 2019, 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, 2019 and 2018.

TABLE 2
Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position

	March 31 2019	March 31 2018	Dollar Change	Percentage Change
Net patient service revenue	$247,843	$224,716	$23,127	10%
Other revenue, net	41,841	46,407	(4,566)	-10%
Total operating revenue	289,684	271,123	18,561	7%
Salaries and employee benefits	100,252	87,498	12,754	15%
Supplies and materials	74,272	65,869	8,403	13%
Purchased services	75,039	86,110	(11,071)	-13%
Professional fees	9,287	7,271	2,016	28%
Other operating	10,121	10,777	(656)	-6%
Depreciation	17,251	18,180	(929)	-5%
Total operating expense	286,222	275,705	10,517	4%
Income (loss) from operations	3,462	(4,582)	8,044	176%
Investment income including net unrealized gains on investments	6,551	1,215	5,336	439%
Interest expense and amortization	(2,133)	(2,277)	144	6%
Other expenses	(444)	(594)	150	25%
Total nonoperating revenues (expenses)	3,974	(1,656)	5,630	340%
Change in net position	7,436	(6,238)	13,674	219%
Net position:				
Beginning of period	273,697	279,935		
End of period	$281,133	$273,697		

Sources of Revenue

Operating Revenue

During fiscal year 2019, 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, 2019 and 2018.

TABLE 3
Payor Mix

	2019	2018
Medicare	54%	51%
Medicaid	21%	23%
Managed care	22%	22%
Self-pay and other	3%	4%
Total patient revenues	100%	100%

Other Operating Revenue

The District also generated other operating income of $41,841,000 in fiscal year 2019 and $46,407,000 in fiscal year 2018. Of this amount, $34,403,000 in 2019 and $40,142,000 in 2018 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 $4,238,000 and $4,322,000 in fiscal years 2019 and 2018, respectively.

Non-operating 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 $2,829,000 and $3,061,000 during fiscal year 2019 and 2018, respectively. An unrealized gain (loss) on investments increased investments by $2,630,000 in fiscal year 2019 and decreased investments by ($2,516,000) during fiscal year 2018.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2019 and 2018:

Overall activity at the District, as measured by patient discharges, decreased by 2.5% to 11,206 in 2019 compared to 11,496 in 2018. Patient days decreased by 3.7% from the prior year from 56,011 in 2018 to 53,958 in 2019. As a result, the average length of stay for the District decreased by 2.0% with the stay length at 4.8 days in 2019 compared to 4.9 days in 2018.

Inpatient revenue decreased in fiscal year 2019 due to a decrease in patient days for both SRMC and TGMC while outpatient revenue increased. As a result of increased gross revenue, net patient service revenue increased $23,127,000, or 10% in 2019. Contractual allowances, excluding bad debt, decreased to 68.9% of charges in 2019 from 69.2% in 2018.

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 $13,184,000 were forgone during 2019 compared to $12,760,000 in 2018, or a 3.3% increase from the prior fiscal year. Provision for bad debts decreased by $467,000, or 3.4%, compared to the prior year.

Employee wages and compensation increased by $12,754,000 from the prior year. Salaries and benefits were 34.6% and 32.3% of total operating revenue in 2019 and 2018, respectively. This increase is primarily due to a change at SRMC. In prior years, employees were provided through the SRMC management agreement. Effective January 1, 2019, employees at the Chabert facility are employees of SRMC.

Professional fees increased over the prior year by 28% or $2,016,000 as a result of the new contracts initiated for physician initiatives. The cost of supplies and materials increased by $8,403,000, or 13%, due to increased volume in the catheterization laboratory and oncology areas at TGMC. Purchased services decreased during the year by ($11,071,000) or (13%) due to SRMC employees no longer being included in the management agreement, but now being SRMC employees as noted in the paragraph above. Other operating expenses decreased by ($656,000) or (6%) due to SRMC. Depreciation expense decreased by ($929,000) or (5%) due to aging of assets and replacement occurring in fiscal year 2019. Total operating expenses increased by $10,517,000, or 4%, for the year ended March 31, 2019.

Non-operating 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 is also included in this amount. Non-operating 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 $5,146,000.

Capital Assets

During fiscal year 2019, the District invested in a broad range of capital assets included in Table 4 below.

TABLE 4
Capital Assets

	March 31 2019	2018	Dollar Change	Percentage Change
Land and land improvements	$23,368	$22,789	$579	3%
Building	204,289	199,169	5,120	3%
Equipment	238,685	233,013	5,672	2%
Subtotal	466,342	454,971	11,371	2%
Less accumulated depreciation	322,016	304,794	17,222	6%
Construction-in progress	2,964	2,166	798	37%
Net capital assets	$147,290	$152,343	($5,053)	-3%

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 the fiscal year 2019, the District spent $5,475,000 of its 2019 capital budget and $3,935,000 on master facility plan spending. 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 2020 capital budget projects spending up to $8,336,000 for capital projects, of which 64% 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 basic financial statements.

TABLE 5
Fiscal Year 2020 Capital Budget
(In Thousands)

Master Facility Plan	$11,640
Contingency	3,000
Routine Capital	5,336
Total	$19,976

Long-Term Debt and Bond Refunding

At March 31, 2019, the District had $59,770,000 in short-term and long-term debt, plus a premium of $330,000, less a discount of $120,000, for a total debt figure of $59,980,000. More detailed information about the District's long-term liabilities is presented in the notes to basic consolidated financial statements. Total long term debt outstanding represents 14.7% of the District's total assets and deferred outflows at March 31, 2019.

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

CONSOLIDATED STATEMENTS OF NET POSITION
MARCH 31, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS

(in thousands)	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 113,473	$ 48,236
Patient accounts receivable, net of allowances for doubtful accounts and contractual adjustments of $46,579 in 2020 and $43,885 in 2019	10,537	8,497
Estimated net receivables under government programs	18,141	18,792
Inventories	5,737	4,825
Prepaid expenses	5,521	9,329
Other current assets	48,071	5,413
Funds held by trustee under bond resolution	2,857	5,343
Total current assets	204,337	100,435
CAPITAL ASSETS		
Land and land improvements	23,541	23,368
Buildings	207,708	204,289
Equipment	236,270	238,684
Construction-in-progress	5,748	2,964
	473,267	469,305
Less: accumulated depreciation	329,239	322,016
Net capital assets	144,028	147,289
INVESTMENTS AND ACCRUED INTEREST		
Funds designated by Board of Commissioners for plant replacement and expansion, including accrued interest of $688 in 2020 and $759 in 2019	163,702	153,317
Restricted for capital projects	67	66
Total investments and accrued interest	163,769	153,383
OTHER ASSETS		
Other assets	6,539	5,845
Total other assets	6,539	5,845
Total assets	518,673	406,952
DEFERRED OUTFLOWS OF RESOURCES	389	653
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 519,062	$ 407,605

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

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

(in thousands)	2020	2019
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 102,232	$ 23,496
Salaries and employee benefit liabilities	9,513	7,760
Accrued interest payable	612	1,028
Self-insurance reserves	1,363	1,295
Other current liabilities	50,845	32,913
Current maturities of long-term debt	2,245	4,315
Total current liabilities	166,810	70,807
LONG-TERM LIABILITIES		
Hospital revenue bonds, less current portion (net of discount of $108 in 2020 and premium of $330 and discount of $120 in 2019)	51,132	55,665
Total long-term debt	51,132	55,665
Total liabilities	217,942	126,472
DEFERRED INFLOWS OF RESOURCES	-	-
Total liabilities and deferred inflows	217,942	126,472
NET POSITION		
Net investment in capital assets	91,107	87,375
Restricted for debt service	2,857	5,343
Unrestricted	207,156	188,415
Total net position	301,120	281,133
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 519,062	$ 407,605

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

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED MARCH 31, 2020 AND 2019

(in thousands)

	2020	2019
OPERATING REVENUES		
Net patient service revenue	$ 265,988	$ 247,843
Other operating revenue, net	55,295	41,841
Total operating revenues	321,283	289,684
OPERATING EXPENSES		
Salaries and employee benefits	116,361	100,252
Supplies and materials	74,026	74,272
Purchased services	84,835	75,039
Professional fees	8,165	9,287
Other operating expenses	9,944	10,121
Depreciation	16,923	17,251
Total operating expenses	310,254	286,222
INCOME FROM OPERATIONS	11,029	3,462
NONOPERATING REVENUES (EXPENSES)		
Investment revenue including unrealized gains of $6,703 in 2020 and $2,630 in 2019	10,854	5,459
Interest expense	(1,861)	(2,133)
Gain on other investments	514	1,092
Bond issuance costs	(116)	-
Other expenses	(433)	(444)
Total nonoperating revenues (expenses)	8,958	3,974
CHANGE IN NET POSITION	19,987	7,436
Net position - beginning of year	281,133	273,697
NET POSITION - END OF YEAR	$ 301,120	$ 281,133

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2020 AND 2019

(in thousands)

	2020	2019
Operating activities		
Cash collected from patients and third-party payors	$ 319,894	$ 287,830
Cash payments to employees and for employee-related costs	(114,608)	(98,868)
Cash payments for operating expenses	(123,780)	(148,331)
Net cash provided by operating activities	81,506	40,631
Capital and related financing activities		
Purchases of capital assets	(11,537)	(12,197)
Principal and defeasance payments on bonds	(3,799)	(4,160)
Bond issuance costs paid	(116)	-
Interest payments on debt	(1,799)	(2,058)
Net cash used in capital and related financing activities	(17,251)	(18,415)
Investing activities		
Interest received on investments	11,368	6,551
Purchases of investments	(140,375)	(128,851)
Proceeds on sales or maturity of investments	129,989	122,782
Net cash provided by investing activities	982	482
Net change in cash and cash equivalents	65,237	22,698
Cash and cash equivalents at beginning of year	48,236	25,538
Cash and cash equivalents at end of year	$ 113,473	$ 48,236

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
YEARS ENDED MARCH 31, 2020 AND 2019

(in thousands)

	2020	2019
Reconciliation of operating income to net cash provided by operating activities		
Income from operations	$ 11,029	$ 3,462
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	16,923	17,251
Provision for bad debts	20,297	13,362
Donated assets	(2,125)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(19,247)	(10,504)
Government program receivables	(2,439)	(4,712)
Other assets	(64,511)	(5,321)
Accounts payable and accrued liabilities	121,579	27,093
Net cash provided by operating activities	$ 81,506	$ 40,631

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

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 nonprofit 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 Consolidation

The consolidated financial statements of the District include TGMC and SRMC, a wholly-owned non-profit corporation 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 & Hospitals (DHH). The accompanying consolidated financial statements 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 consolidated financial statements.

Basis of Accounting

The District uses the accrual basis of accounting for proprietary funds. The consolidated statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units.

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.

1. Summary of Significant Accounting Policies (continued)

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 $16,923,000 and $17,251,000 for the years ended March 31, 2020 and 2019, respectively.

Deferred Outflows and Inflows

Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The District's deferred outflows at March 31, 2020 and 2019 consist of deferred amounts on bond refinancing. The District has no deferred inflows at March 31, 2020 and 2019.

Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions including net restricted for debt service), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt.

Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating restricted net position. Capital assets purchased or constructed from the debt proceeds, and the related portion of debt are considered "capital-related." The remainder (the unspent portion of the debt) is included in the calculation of net position restricted for capital projects. The effect on net position is negligible; restricted assets approximates related debt outstanding.

Restricted net position is when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Unrestricted net position is the balance of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Revenue and Expenses

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are included in operating income; all peripheral transactions are reported as nonoperating revenues and expenses. Other operating income for 2020 and 2019 includes approximately $33,253,000 and $34,403,000, respectively, which relates to grants from supplemental Medicaid payments. Operating expenses are all expenses incurred to provide health services, other than financing costs.

Agency Transactions

Operations of QIN are considered agency transactions in accordance with 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.

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.

1. Summary of Significant Accounting Policies (continued)

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 foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided (see footnote #12).

Income Taxes

The District is exempt from federal income taxation as a political subdivision of the state of Louisiana and, accordingly, the accompanying consolidated 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Reclassifications

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

Accounting Pronouncements Issued But Not Yet Adopted

GASB issued Statement No. 87, *Leases*, in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for periods beginning after June 15, 2021. The District is currently assessing the impact of this pronouncement on its consolidated financial statements.

2. Cash and Investments

The composition of designated or restricted cash and investments at March 31, 2020 and 2019, is set forth below:

	March 31, 2020			
	Cash and Cash Equivalents	Fixed Income Investments	Other Assets	Total
		(in thousands)		
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 designated cash and investments	$ 14,756	$ 151,182	$ 688	$ 166,626

2. Cash and Investments (continued)

	March 31, 2019			
	Cash and Cash Equivalents	Fixed Income Investments	Other Assets	Total
		(in thousands)		
Board-designated -	$ 11,187	$ 142,524	$ -	$ 153,711
Discounts/premium	-	(1,153)	-	(1,153)
Accrued Interest	-	-	759	759
Total Board-designated	11,187	141,371	759	153,317
Restricted -				
2010 bond issue:				
Interest expense fund	460	-	-	460
Principal fund	2,110	-	-	2,110
Total 2010 bond issue	2,570	-	-	2,570
2013 supplemental bond issue:				
Interest expense fund	310	-	-	310
Principal fund	180	-	-	180
Total 2013 supplemental bond issue	490	-	-	490
2016 supplemental bond issue:				
Interest expense fund	148	-	-	148
Principal fund	1,890	-	-	1,890
Construction fund	66	-	-	66
Total 2016 supplemental bond issue	2,104	-	-	2,104
2017 supplemental bond issue:				
Interest expense fund	110	-	-	110
Principal fund	135	-	-	135
Total 2017 supplemental bond issue	245	-	-	245
Total designated cash and investments	$ 16,596	$ 141,371	$ 759	$ 158,726

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, 2020 and 2019, 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.

2. Cash and Investments (continued)

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, 2020 and 2019 (in thousands):

Risk Rating	Fair Value at 3/31/20	Fair Value at 3/31/19
AAA	$ 62,463	$ 62,037
AA	14,623	12,894
A	5,513	4,152
BBB	-	628
Other	312	332
	82,911	80,043
U.S. government or obligations explicitly guaranteed	68,271	61,328
Total	$ 151,182	$ 141,371

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 $68,271,000 and $61,328,000 in fair market value at March 31, 2020 and 2019, 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 $82,911,000 and $80,043,000 at March 31, 2020 and 2019, respectively.

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 8.9%, and 21.8%, respectively, of the total investments at March 31, 2020, and 6.7%, and 23.8%, respectively, of the total investments at March 31, 2019.

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 returned to it. 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, 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. $32,495,783 of the District's bank balance was uninsured and not collateralized at March 31, 2020. As of March 31, 2019, $53,665,383 of the District's bank balance of $55,415,383 was exposed to credit risk as uninsured and collateralized with securities held by the pledging financial institution.

2. Cash and Investments (continued)

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, 2020 and 2019, 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. The table below summarizes the District's segmented time distribution investment maturities in years by investment type as of March 31, 2020.

Investment Type	Fair Value	Years <1	Years 1-5	Years >5
		(In Thousands)		
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
Securities guaranteed by the U.S. Government	34,920	990	27,075	6,855
	$ 151,182	$ 4,252	$ 47,561	$ 99,369

2. Cash and Investments (continued)

Interest Rate Risk – Investments (continued)

The table below summarizes the District's segmented time distribution investment maturities in years by investment type as of March 31, 2019.

		Years		
Investment Type	**Fair Value**	**<1**	**1-5**	**>5**
		(In Thousands)		
U.S. Treasuries	$ 28,679	$ -	$ 13,620	$ 15,059
Federal National Mortgage Association	33,889	734	3,757	29,398
Federal Home Loan Bank	3,130	697	2,433	-
Federal Home Loan Mortgage Corporation	9,809	1,698	-	8,111
Federal Farm Credit Banks	2,092	-	1,112	980
Government National Mortgage Association	14,001	-	5	13,996
Small Business Association	18,324	12	1,613	16,699
U.S. Department of Housing and Urban Development	323	-	-	323
Securities guaranteed by the U.S. Government	30,032	4,523	16,493	9,016
State of Louisiana	1,092	606	486	-
	$ 141,371	$ 8,270	$ 39,519	$ 93,582

3. Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of March 31, 2020 and 2019. 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.

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.

3. Fair Value Measurements (continued)

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 consistent 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, 2020 (in thousands):

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (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	-
U.S. Department of Housing and Urban Development	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	$ -

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, 2019 (in thousands):

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Fixed income securities:				
U.S. Treasuries	$ 28,679	$ -	$ 28,679	$ -
Federal National Mortgage Association	33,889	-	33,889	-
Federal Home Loan Bank	3,130	-	3,130	-
Federal Home Loan Mortgage Corporation	9,809	-	9,809	-
Federal Farm Credit Banks	2,092	-	2,092	-
Government National Mortgage Association	14,001	-	14,001	-
Small Business Association	18,324	-	18,324	-
U.S. Department of Housing and Urban Development	323	-	323	-
State of Louisiana	1,092	-	1,092	-
Total fixed income securities	111,339	-	111,339	-
Corporate and municipal debt securities	30,032	25,893	4,139	-
Total Investments by Fair Value Level	$ 141,371	$ 25,893	$ 115,478	$ -

4. Capital Assets

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

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
		(in thousands)		
Land and land improvements	$ 23,368	$173	$ -	$ 23,541
Buildings	204,289	3,812	(393)	207,708
Equipment	238,684	6,924	(9,338)	236,270
Construction-in-progress	2,964	17,143	(14,359)	5,748
	469,305	28,052	(24,090)	473,267
Accumulated Depreciation				
Land and 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, net	$147,289	$11,129	($14,390)	$144,028

The summary of changes in capital assets for the year ended March 31, 2019 is as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
		(in thousands)		
Land and land improvements	$ 22,789	$579	$ -	$ 23,368
Buildings	199,169	5,120	-	204,289
Equipment	233,012	5,702	(30)	238,684
Construction-in-progress	2,166	12,681	(11,883)	2,964
	457,136	24,082	(11,913)	469,305
Accumulated Depreciation				
Land and land improvements	7,442	277	-	7,719
Buildings	111,572	6,874	-	118,446
Equipment	185,780	10,101	(30)	195,851
Total accumulated depreciation	304,794	17,252	(30)	322,016
Capital assets, net	$152,342	$6,830	($11,883)	$147,289

5. Debt

The following table summarizes the District's outstanding debt at par value:

	March 31 2020	March 31 2019	2020 Increase	2020 Decrease	2019 Increase	2019 Decrease
	(in thousands)					
Hospital Revenue Bonds, Series 2010, 3.0% to 5.0%	$ -	$ 18,740	$ -	$ 18,740	$ -	$2,010
Hospital Revenue Bonds, Series 2013, 2.75% to 4.0%	15,830	16,010	-	180	-	170
Hospital Revenue Bonds, Series 2016, 1.83%	14,290	16,180	-	1,890	-	1,850
Hospital Revenue Bonds, Series 2017, 2.49%	8,705	8,840	-	135	-	130
Hospital Revenue Bonds, Series 2020, 2.15%	14,660	-	14,660	-	-	-
	53,485	59,770				
Less: amounts due within one year	2,245	4,315				
Long-term portion of debt	$ 51,240	$ 55,455				

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 1 and October 1 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. The difference between cash flow required to service the old debt and that required to service new debt and complete the refunding was a savings of $1,806,176. The economic gain resulting from the transaction was $1,831,825. The amount of defeased debt outstanding as of March 31, 2020 is $16,630,000.

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 1 and October 1 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. The amount of defeased debt outstanding as of March 31, 2020 is $8,115,000.

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 1 and October 1 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.

5. Debt (continued)

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 1 and October 1 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 2010 bonds are serial bonds with semiannual interest payments due April 1 and October 1 of each year. The bonds mature in varying installments through 2028 and the bonds maturing in 2028 are subject to mandatory redemption through a sinking fund that requires the District to fund debt service up to approximately $2,220,000 annually through the year 2028. 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 the actual payment to the bondholders. The series 2010 bonds were refunded by the Series 2017 and Series 2020 Revenue Refunding Bonds.

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

	Principal	Interest
2021	$ 2,245	$ 1,293
2022	4,795	1,309
2023	4,905	1,206
2024	5,015	1,101
2025	5,175	992
2026 - 2030	21,375	3,374
2031 - 2034	9,975	675
Total	$ 53,485	$ 9,950

The District was in compliance with all covenants of its outstanding bond issues at March 31, 2020 and 2019.

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 Hospital's net patient revenue related to patients participating in the Medicare and Medicaid Programs is as follows:

	2020	2019
Medicare	49.8%	48.7%
Medicaid	12.6%	13.3%

6. Third-Party Payor Arrangements (continued)

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 Hospital 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 Hospital. 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 ($1,237,816) in 2020 and $23,378 in 2019. Estimated settlements through March 31, 2017 for the Medicare program, and through March 31, 2013 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 Hospital 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.

7. Net Patient Service Revenue

Net patient service revenue is comprised of the following:

	Years Ended March 31	
	2020	**2019**
	(in thousands)	
Total gross patient service charges, excluding charity care	$ 854,912	$ 838,864
Contractual and other allowances:		
Medicare	321,821	325,089
Medicaid	139,890	142,913
Managed care organizations	89,194	93,925
Other	17,722	15,732
Provisions for bad debts	20,297	13,362
Total contractual and other allowances	588,924	591,021
Net patient service revenue	$ 265,988	$ 247,843

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 $2,583,000 in 2020 and $2,261,000 in 2019.

The District has a deferred compensation plan open to SRMC employee 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 $319,249 in 2020 and $78,000 in 2019.

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 2020 and 2019 were as follows (in thousands):

Year Ended March 31	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020	$1,295	$7,725	$7,657	$1,363
2019	$1,365	$5,287	$5,357	$1,295

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 $9,960,000.

10. Leases

The District leases office space and clinical facilities, generally to members of its medical staff, under operating leases whose terms range from one to five years. Assets held for lease at March 31, 2020 and 2019 consisted of land, buildings and improvements including fixed equipment with total costs of $38,038,000 and $37,957,000, respectively. Accumulated depreciation of the leased assets totaled $27,775,000 and $26,109,000 at March 31, 2020 and 2019, respectively.

The future minimum lease payments to be received from these leases during the next five years are as follows:

Year ending March 31st	Amount *(in thousands)*
2021	$ 1,402
2022	1,170
2023	1,001
2024	806
2025	160

11. Subsequent Events

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 2021 and potentially beyond. The related financial impact and duration cannot be reasonably estimated at this time.

During the first quarter of fiscal year 2021, the District received approximately $37,300,000 of accelerated Medicare payments and approximately $22,700,000 in Provider Relief Fund distributions, both as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. The District's management will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on the District's revenues and expenses.

Management has evaluated events through the date that the consolidated financial statements were available to be issued, August 19, 2020, and determined that no additional disclosures are necessary other than the item noted above.

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, 2020 and 2019, as follows:

	2020	2019
	(in thousands)	
Care for the indigent:		
Traditional charity care (in charges)	$8,651	$13,184
Self Pay discounts (in charges)	12,913	12,590
Unreimbursed government program costs:		
Unpaid costs of State programs	5,738	6,611
Unpaid costs of Federally funded programs	2,510	6,820
Benefits for Community and Region:		
Community Health Services	1,414	1,232
Community Building Activities	114	135
Community Benefit Operations	222	216
Health Professions Education	365	274
Subsidized Health Services	2,711	1,445
Community Outreach	373	376
Costs and services directly provided to the Community	5,199	3,678
Total quantifiable Community Benefits	$35,011	$42,883

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 health care 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 SUPPLEMENTAL INFORMATION

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

CONSOLIDATING STATEMENT OF NET POSITION
MARCH 31, 2020

ASSETS AND DEFERRED OUTFLOWS

(in thousands)	TGMC	SRMC	Elimination	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 53,345	$ 60,128	$ -	$ 113,473
Patient accounts receivable, net of allowances for doubtful accounts and contractual adjustments of $46,579 in 2020	8,784	1,753	-	10,537
Estimated net receivables under government programs	9,537	8,604	-	18,141
Inventories	4,731	1,006	-	5,737
Prepaid expenses	4,279	1,242	-	5,521
Other current assets	29,330	42,796	(24,055)	48,071
Funds held by trustee under bond resolution	2,857	-	-	2,857
Total current assets	112,863	115,529	(24,055)	204,337
CAPITAL ASSETS				
Land and land improvements	23,541	-	-	23,541
Buildings	202,307	5,401	-	207,708
Equipment	227,820	8,450	-	236,270
Construction-in-progress	5,258	490	-	5,748
	458,926	14,341	-	473,267
Less: accumulated depreciation	324,425	4,814	-	329,239
Net capital assets	134,501	9,527	-	144,028
INVESTMENTS AND ACCRUED INTEREST				
Funds designated by Board of Commissioners for plant replacement and expansion, including accrued interest of $688 in 2020	163,702	-	-	163,702
Restricted for capital projects	67	-	-	67
Total investments and accrued interest	163,769	-	-	163,769
OTHER ASSETS				
Other assets	6,536	3	-	6,539
Total other assets	6,536	3	-	6,539
Total assets	417,669	125,059	(24,055)	518,673
DEFERRED OUTFLOWS OF RESOURCES	389	-	-	389
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 418,058	$ 125,059	$ (24,055)	$ 519,062

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

(in thousands)	TGMC	SRMC	Elimination	Consolidated
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 56,183	$ 70,104	$ (24,055)	$ 102,232
Salaries and employee benefit liabilities	8,044	1,469	-	9,513
Accrued interest payable	612	-	-	612
Self-insurance reserves	1,363	-	-	1,363
Other current liabilities	-	50,845	-	50,845
Current maturities of long-term debt	2,245	-	-	2,245
Total current liabilities	68,447	122,418	(24,055)	166,810
LONG-TERM LIABILITIES				
Hospital revenue bonds, less current portion (net of discount of $108 in 2020)	51,132	-	-	51,132
Total long-term debt	51,132	-	-	51,132
Total liabilities	119,579	122,418	(24,055)	217,942
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Total liabilities and deferred inflows	119,579	122,418	(24,055)	217,942
NET POSITION				
Net investment in capital assets	81,580	9,527	-	91,107
Restricted for debt service	2,857	-	-	2,857
Unrestricted	214,042	(6,886)	-	207,156
Total net position	298,479	2,641	-	301,120
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 418,058	$ 125,059	$ (24,055)	$ 519,062

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

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2020

(in thousands)

	TGMC	SRMC	Consolidated
OPERATING REVENUES			
Net patient service revenue	$ 200,734	$ 65,254	$ 265,988
Other operating revenue, net	22,839	32,456	55,295
Total operating revenues	223,573	97,710	321,283
OPERATING EXPENSES			
Salaries and employee benefits	102,549	13,812	116,361
Supplies and materials	52,981	21,045	74,026
Purchased services	25,495	59,340	84,835
Professional fees	8,165	-	8,165
Other operating expenses	7,739	2,205	9,944
Depreciation	15,615	1,308	16,923
Total operating expenses	212,544	97,710	310,254
INCOME FROM OPERATIONS	11,029	-	11,029
NONOPERATING REVENUES (EXPENSES)			
Investment revenue including unrealized gains of $6,703 in 2020	10,854	-	10,854
Interest expense	(1,861)	-	(1,861)
Gain on other investments	514	-	514
Bond Issuance Expense	(116)	-	(116)
Other revenue (expenses)	(433)	-	(433)
Total nonoperating revenues (expenses)	8,958	-	8,958
CHANGE IN NET POSITION	19,987	-	19,987
Net position - beginning of year	278,492	2,641	281,133
NET POSITION - END OF YEAR	$ 298,479	$ 2,641	$ 301,120

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

CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020

(in thousands)

	TGMC	SRMC	Consolidated
Operating activities			
Cash collected from patients and third-party payors	$ 221,838	$ 98,056	$ 319,894
Cash payments to employees and for employee-related costs	(101,195)	(13,413)	(114,608)
Cash payments for operating expenses	(88,855)	(34,925)	(123,780)
Net cash provided by operating activities	31,788	49,718	81,506
Capital and related financing activities			
Purchases of capital assets	(9,333)	(2,204)	(11,537)
Principal and defeasance payments on bonds	(3,799)	-	(3,799)
Bond issuance costs paid	(116)	-	(116)
Interest payments on debt	(1,799)	-	(1,799)
Net cash used in capital and related financing activities	(15,047)	(2,204)	(17,251)
Investing activities			
Interest received on investments	11,368	-	11,368
Purchases of investments	(140,375)	-	(140,375)
Proceeds on sales or maturity of investments	129,989	-	129,989
Net cash provided by investing activities	982	-	982
Net change in cash and cash equivalents	17,723	47,514	65,237
Cash and cash equivalents at beginning of year	35,622	12,614	48,236
Cash and cash equivalents at end of year	$ 53,345	$ 60,128	$ 113,473

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

CONSOLIDATING STATEMENT OF CASH FLOWS (continued)
YEAR ENDED MARCH 31, 2020

(in thousands)

	TGMC	SRMC	Consolidated
Reconciliation of operating income to net cash provided by operating activities			
Income from operations	$ 11,029	$ -	$ 11,029
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	15,615	1,308	16,923
Provision for bad debts	8,822	11,475	20,297
Donated assets	-	(2,125)	(2,125)
Changes in operating assets and liabilities:			
Patient accounts receivable	(9,617)	(9,630)	(19,247)
Government program receivables	(940)	(1,499)	(2,439)
Other assets	(27,169)	(37,342)	(64,511)
Accounts payable and accrued liabilities	34,048	87,531	121,579
Net cash provided by operating activities	$ 31,788	$ 49,718	$ 81,506

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

GROSS REVENUE PAYOR MIX SCHEDULE
YEAR ENDED MARCH 31, 2020

	TGMC	SRMC
Medicare	60%	35%
Medicaid	13%	46%
Managed Care	25%	8%
Self-pay and Other	2%	11%
Total Gross Patient Revenues	100%	100%

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

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER

YEAR ENDED MARCH 31, 2020

CHIEF EXECUTIVE OFFICER - PHYLLIS PEOPLES

Salary	$	674,003
Employer paid payroll taxes		18,266
Benefits-insurance		27,261
Benefits-retirement		30,800
Vehicle provided by government		647
Dues		426
Registration fees		1,240
Conference travel		2,985
Special meals		282
	$	755,910

P&N
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A Professional Accounting Corporation

INDEPENDENT AUDITORS' 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*

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated 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, 2020, and the related notes to the consolidated financial statements, which collectively comprise the District's basic consolidated financial statements as listed in the table of contents, and have issued our report thereon dated August 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

P&N
Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
August 19, 2020

HOSPITAL SERVICE DISTRICT NO. 1 OF TERREBONNE PARISH

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2020

FINDINGS–Financial Statement Audit

2020-001 Concentration of Credit Risk

Criteria: Louisiana Revised Statute 39:1219 requires all deposits of state and local governments in financial institutions over the Federal Deposit Insurance Corporation (FDIC) insured limit to be secured by collateral.

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

Cause: With this being the first year of consolidation of QIN, the District did not properly review all account balances held at all financial institutions for credit risk exposure.

Effect: The District had a balance at a financial institution in the amount of $32,495,783 at March 31, 2020 that was uninsured and uncollateralized and exposed to credit risk in violation of the state statute.

Recommendation: The District should implement procedures to review deposit balances at financial institutions, including those of all entities included in its consolidated financial statements, to ensure that balances are appropriately insured or collateralized in accordance with state statute.

View of Responsible Official and Planned Corrective Action

The District has implemented a new process with financial institutions to increase the collateral on deposit balances to include those of all entities included in the District. The collateral will be in the name of the District. The District will monitor these balances on a quarterly basis.