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**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

Officers and Trustees  
Parish Government Risk Management Agency  
Group Health and Life Fund

### **Opinion**

We have audited the accompanying financial statements of the business type activities of Parish Government Risk Management Agency – Group Health and Life Fund (a quasi-public organization) (the Fund), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parish Government Risk Management Agency – Group Health and Life Fund basic financial statements. The schedule of compensation, benefits, and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 27, 2022, on our consideration of the Fund's internal control over financial reporting and 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 *Governmental Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 27, 2022

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY –GROUP HEALTH AND LIFE FUND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**(UNAUDITED)**

The Management's Discussion and Analysis of the Parish Government Risk Management Agency – Group Health and Life Fund (the Fund) presents a narrative overview and analysis of the Fund’s financial activities for the years ended December 31, 2021 and 2020. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund’s financial statements, which follow this section.

**Financial Highlights**

- The assets of the Fund exceeded its liabilities at December 31, 2021 and 2020 by \$7,838,211 and \$6,977,817, respectively.
- At December 31, 2021, the Fund’s assets totaled \$8,801,235 which consisted primarily of cash, investments, prepaid expenses and receivables, as compared to the Fund’s asset balance of \$8,016,661 at December 31, 2020, which consisted primarily of cash, investments, and receivables.
- The Fund reported premiums earned of \$9,362,699 and \$9,047,693 during the years ended December 31, 2021 and 2020, respectively.
- The Fund reported an increase in net position of \$860,394 and \$875,317, during the years ended December 31, 2021 and 2020, respectively.

**Overview of the Financial Statements**

This financial report consists of Management’s Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by the private sector. The Statements of Net Position include all of the Fund’s assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Fund’s members and creditors (liabilities). The Statements of Net Position also provide the basis for computing rate of return, evaluating the capital structure of the Fund, and assessing the liquidity and financial flexibility of the Fund. All of the years' revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the years and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund’s cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

The preparation of these basic financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY –GROUP HEALTH AND LIFE FUND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**(UNAUDITED)**

**Financial Analysis of the Fund**

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the accumulated net position of the Fund and changes in it. Net position (the difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net assets are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

**Condensed Statements of Net Position**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total assets	\$ 8,801,235	\$ 8,016,661
Deferred outflows	-	-
Total liabilities	(963,024)	(1,038,844)
Deferred inflows	<u>-</u>	<u>-</u>
Net position	<u>\$ 7,838,211</u>	<u>\$ 6,977,817</u>

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased by 9.8% from the prior year. Assets consisted primarily of cash, U.S. Government investments and securities. Total liabilities decreased by 7.3% from the prior year. The Fund's liabilities consist primarily of estimated claims payable which decreased in 2021. Net position increased by 12.3% from the prior year as a result of current period net income.

**Condensed Statements of Revenues, Expenses and Changes in Net Position  
for the Years Ended December 31:**

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 9,420,906	\$ 9,107,404
Operating expenses	<u>(8,463,184)</u>	<u>(8,522,613)</u>
Operating income	957,722	584,791
Non-operating (loss) income	<u>(97,328)</u>	<u>290,526</u>
Change in net position	<u>\$ 860,394</u>	<u>\$ 875,317</u>



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY –GROUP HEALTH AND LIFE FUND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**(UNAUDITED)**

During the year ended December 31, 2021, the Fund reported premium income of \$9,362,699 which increased approximately \$315,000 from the prior year as a result of an approximate 3.5% increase in premiums. In 2021, the Fund reported total expenses of \$8,463,184, which consisted primarily of claims expense, excess insurance, administrative, and other expenses, which decreased approximately \$60,000 from the prior year. This decrease in expenses is due to a decrease in claims incurred. Claims expenses incurred represented approximately 71% and 78% of premium income during the years ended December 31, 2021 and 2020, respectively. The Fund experienced an excess of revenues over expenses in the amount of \$860,394 during 2021, which is a slight decrease from prior year, primarily due to losses on investments. The losses on investments are due to the market changes and increasing interest rates which negatively affect a large portion of the investments held by the Fund. See the Statements of Revenues, Expenses and Changes in Net Position on page 7 of this report.

**Financial Outlook**

Management emphasizes that the Fund’s expenses are greatly impacted by claims losses and claims related expenses which are influenced by factors beyond managements control such as rates, medical inflation and legislative changes.

**Requests for Information**

This financial report is designed to provide our members, investors, and creditors with a general overview of the Fund’s finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Parish Government Risk Management Agency – Group Health and Life Fund, 707 North Seventh Street, Baton Rouge, Louisiana 70802 or 225-343-2835.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<b><u>ASSETS</u></b>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,727,099	\$ 1,815,840
Investments	6,981,775	5,966,893
Premiums receivable, net	-	12,625
Due from affiliates	-	179,482
Prepaid expenses	45,833	-
Other receivable	19,531	16,289
Accrued interest receivable	<u>26,997</u>	<u>25,532</u>
Total assets	<u>\$ 8,801,235</u>	<u>\$ 8,016,661</u>

**LIABILITIES AND NET POSITION**

Liabilities:		
Unpaid claims liability	\$ 866,000	\$ 973,028
Due to affiliates	38,127	-
Accounts payable and accrued expenses	<u>58,897</u>	<u>65,816</u>
Total liabilities	963,024	1,038,844
Net position	<u>7,838,211</u>	<u>6,977,817</u>
Total liabilities, deferred inflows, and net position	<u>\$ 8,801,235</u>	<u>\$ 8,016,661</u>

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

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>OPERATING REVENUES</u></b>		
Premiums earned	\$ 9,362,699	\$ 9,047,693
Prescription program commissions and other income	52,519	54,143
Miscellaneous income	5,688	5,568
Total operating revenues	<u>9,420,906</u>	<u>9,107,404</u>
<b><u>OPERATING EXPENSES</u></b>		
Claims expense	6,614,381	7,046,053
Excess insurance and life insurance premiums	381,556	355,179
Affordable Care Act fees	2,165	1,757
Administrative and other expenses	1,465,082	1,119,624
Total operating expenses	<u>8,463,184</u>	<u>8,522,613</u>
<b><u>OPERATING INCOME</u></b>	957,722	584,791
<b><u>NON-OPERATING (LOSS) INCOME</u></b>		
Net investment (loss) income	(97,328)	290,526
	<u>(97,328)</u>	<u>290,526</u>
<b><u>CHANGE IN NET POSITION</u></b>	860,394	875,317
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<u>6,977,817</u>	<u>6,102,500</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ 7,838,211</u>	<u>\$ 6,977,817</u>

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

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating income	\$ 957,722	\$ 584,791
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	13,265	136,641
Other receivable	(3,883)	2,174
Prepaid expense	(45,833)	-
Unpaid claims liability	(107,028)	402,553
Accounts payable and other accrued expenses	(6,921)	30,879
<b>Net cash provided by operating activities</b>	<b>807,322</b>	<b>1,157,038</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(2,345,446)	(2,396,436)
Proceeds from sale of investments	1,101,343	1,449,484
Investment income received	130,431	125,478
<b>Net cash used in investing activities</b>	<b>(1,113,672)</b>	<b>(821,474)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances from (to) affiliates, net	217,609	(211,576)
<b>Net cash provided by (used in) investing activities</b>	<b>217,609</b>	<b>(211,576)</b>
Net change in cash and cash equivalents	(88,741)	123,988
Cash and cash equivalents at beginning of year	1,815,840	1,691,852
Cash and cash equivalents at end of year	<b>\$ 1,727,099</b>	<b>\$ 1,815,840</b>

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

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) *Background and Financial Statement Presentation***

The Parish Government Risk Management Agency (PGRMA) – Group Health and Life Fund’s (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Police Jury Association of Louisiana Inc. (PJA); a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Executive Board of the PJA, after consultation with the actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Administration of the Fund is vested in the Executive Board of the PJA. PJA is a statewide organization composed of the police juries/parish governing authorities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana.

PGRMA has contracted with a service company to administer the Fund’s day-to-day affairs, subject to the superior authority of the Executive Board. The service company performs fund marketing, completes claims administration and reporting, including the processing and defense of claims brought against Fund members, and services in the areas of underwriting, risk management, loss control, and data information services.

The PGRMA Funds (group health and life and workers’ compensation) are all affiliated through common membership and management control. Although all of these entities are related parties, their various net assets are available only to the individual entity for its operations. For this reason, each entity is presented as a separate, "stand alone," entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

**(b) *Basis of Accounting***

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Since the business of the Fund is essentially that of an insurance company, having a business cycle greater than one year, the Statements of Net Position are not presented in a classified format.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(c) *Net Position***

The Fund has implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the Fund'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. Because deferred inflows are, by definition, neither assets nor liabilities, the Statement of Net Assets title is now referred to as the Statement of Net Position. As of December 31, 2021 and 2020, the Fund had no deferred inflows or outflows.

**(d) *Premium Income and Premiums Receivable***

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements, and are expensed when incurred.

The Fund considers premiums receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income as received.

**(e) *Prescription Program Commission***

The Fund receives revenue from a service provider from a monetary arrangement and also receives a pharmacy program commission as a result of a rebate program with the provider. Revenue is recognized as the amounts of the commission and rebate become known to the Fund.

**(f) *Unpaid Claims Liability***

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverables on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(f) *Unpaid Claims Liability*** (continued)

Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. The carrying amount of liabilities for claims losses and claims expenses is presented at the estimated claim amounts in the financial statements.

**(g) *Cash and Cash Equivalents***

Cash and cash equivalents included in the Statements of Net Position and Cash Flows consists of checking and other depository instruments with original maturities of three months or less.

**(h) *Investments***

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Estimated fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized and unrealized gains and losses on investments recorded at estimated fair value are included in net investment income. Investments include money market accounts, repurchase agreements and U.S. Government Agency and Treasury obligations.

**(i) *Excess Insurance***

The Fund uses excess insurance to reduce its exposure to large losses on insured events. Further description of the excess insurance coverage is described in Note 5. Excess insurance permits recovery of a portion of losses from excess insurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by excess insurers. Claims expense consists of claims incurred during the current year, adjustments to the accounting estimate of prior years' claims expense and a reduction for claims covered by the excess insurer in accordance with the excess insurance policy.

**(j) *Income Taxes***

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

**(k) *Use of Estimates***

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating insurance liabilities. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

*(l) Operating / Non-Operating Revenues and Expenses*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

*(m) Reclassifications*

Certain items in the December 31, 2020 financial statements have been reclassified to conform with the current year's presentation.

**2. RELATED PARTY TRANSACTIONS**

In addition to the Group Health and Life Fund, PGRMA has established interlocal risk management programs to provide for workers' compensation liability (Workers' Compensation Fund). Both self-insurance programs are under common administration, utilize the same service company, and are comprised of Louisiana local governmental subdivisions. Transactions that occur between these programs are accounted for in the due to/from affiliate accounts.

During 2021 and 2020, the Fund incurred management fee expense to PJA in the amount of \$438,700 and \$251,500 respectively.

Amounts due to/from affiliates at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Due (to) from Workers' Compensation Fund	(\$ 6,127)	\$ 179,482
Due to Police Jury Association	<u>( 32,000)</u>	<u>-</u>
	<u>(\$ 38,127)</u>	<u>\$ 179,482</u>

The amounts due to/from affiliates are unsecured, non-interest bearing and have no specified repayment terms.



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY**

The unpaid claims liability is based upon an evaluation of the Fund's losses prepared by the Fund's independent actuary and is a significant estimate which is subject to change. These changes can be material in relation to the financial statements taken as a whole. This liability has not been discounted for the time value of money. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The following represents activity in the Fund's aggregate net unpaid claims liabilities for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Unpaid claims liability at beginning of year	\$ 973,028	\$ 570,475
Plus: claims expenses incurred	6,614,381	7,046,053
Less: payments	<u>( 6,721,409)</u>	<u>( 6,643,500)</u>
Unpaid claims liability at end of year	<u>\$ 866,000</u>	<u>\$ 973,028</u>

**4. DEPOSITS AND INVESTMENTS**

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2021 and 2020.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are certificates of deposit, money market accounts and repurchase agreements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2021:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp;Poors Rating</u>	<u>Average Maturity (Years)(3)</u>
Investment at fair value:					
Federal Home Loan Bank	\$ 1,669,529	\$ 1,709,867	24.49%	AA+	4.04
Federal Home Loan Mortgage Corporation (FHLMC)	719,973	729,637	10.45%	No rating	7.95
Federal National Mortgage Association (FNMA)	2,670,350	2,694,087	38.59%	(1)	8.29
Other government debt obligations	<u>1,342,629</u>	<u>1,348,126</u>	<u>19.31%</u>	(2)	8.46
Investments at fair value	<u>\$ 6,402,481</u>	<u>\$ 6,481,717</u>	<u>92.84%</u>		
Investment measured at net asset value:					
External investment pool	<u>\$ 500,058</u>	<u>\$ 500,058</u>	<u>7.16%</u>		
Total Investments	<u>\$ 6,902,539</u>	<u>\$ 6,981,775</u>	<u>100.00%</u>		

- (1) Comprised of \$1,604,966 of investments rated AA+ and \$1,089,121 of investments which did not require credit quality ratings
- (2) Comprised of \$299,005 of investments rated AA+ and \$1,049,121 of investments which did not require credit quality ratings

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2020:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp;Poors Rating</u>	<u>Average Maturity (Years)(6)</u>
Investment at fair Value:					
Federal Home Loan Bank	\$ 1,405,748	\$ 1,507,768	25.27%	AA+	4.98
Federal Home Loan Mortgage Corporation (FHLMC)	844,732	861,250	14.43%	No rating	6.53
Federal National Mortgage Association (FNMA)	2,394,735	2,485,452	41.65%	(3)	7.34
Other government debt obligations	<u>1,060,919</u>	<u>1,112,423</u>	<u>18.65%</u>	(4)	5.90
Investments at fair value	<u>\$ 5,706,134</u>	<u>\$ 5,966,893</u>	<u>100.00%</u>		

- (3) Comprised of \$1,624,136 of investments rated AA+ and \$861,316 of investments which did not require credit quality ratings
- (4) Comprised of \$108,510 of investments rated AA+ and \$1,003,913 of investments which did not require credit quality ratings

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

At December 31, 2021 and 2020, the Program has investments totaling \$500,058 and \$0, respectively, that are invested in Louisiana Asset Management Pool (LAMP), an external investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. This investment pool is classified as an external investment pool in the fair value hierarchy table above. LAMP, Inc. is subject to the regulatory oversight of the state

***Custodial Credit Risk***

Custodial credit risk for cash and cash equivalents is the risk that in the event of financial institution failure, the Fund's deposits may not be returned to them. The Fund has no custodial credit risk with respect to demand deposit accounts at December 31, 2021 and 2020. The Fund's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments that is in the possession of an outside party. At December 31, 2021 and 2020, the Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty.

LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to meet its obligations. The Fund minimizes this risk by adhering to an investment strategy designed to achieve a conservative risk/return characteristic.

***Concentration of Credit Risk***

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At December 31, 2021 and 2020, there were no investments in any one issuer that represented 5% or more of total investments, which do not consider diversified mutual funds as a single issuer.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the estimated fair value of an investment. The Fund measures and monitors the weighted-average maturity of the fixed income securities portfolio to manage exposure to interest rate risk. This includes the weighted-average maturities of the total fixed income portfolio, individual securities, as well as categories of securities held by the Fund. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 45 days at December 31, 2021.

The amortized cost and estimated fair value of investment securities as of December 31, 2021, by contractual maturity, are shown below. In some instances, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 653,940	\$ 659,287
Due after one year through five years	1,320,255	1,354,165
Due after five years through ten years	1,500,923	1,503,781
Due after ten years	37,098	40,818
	3,512,216	3,558,051
Mortgage-backed securities	3,390,323	3,423,724
	\$ 6,902,539	\$ 6,981,775

Net investment income for the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Interest income	\$ 106,730	\$ 113,001
Net realized losses	(22,535)	(14,385)
Unrealized (losses) gains arising during the year-net	(181,523)	191,910
	\$( 97,328)	\$ 290,526

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

*Fair Value*

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2021 and 2020:

**December 31, 2021:**

	Level 1	Level 2	Fair Values
Investments at fair value:			
U.S. Government Securities	\$ 4,621,069	\$ -	\$ 4,621,069
U.S. Government Securities	-	1,860,648	1,860,648
	\$ 4,621,069	\$ 1,860,648	6,481,717
External investment pool, at net asset value			500,058
			\$ 6,981,775

**December 31, 2020:**

	Level 1	Level 2	Fair Values
Investments at fair value:			
U.S. Government Securities	\$ 4,190,695	\$ -	\$ 4,190,695
U.S. Government Securities	-	1,776,198	1,776,198
	\$ 4,190,695	\$ 1,776,198	\$ 5,966,893

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**

**NOTES TO FINANCIAL STATEMENTS**

**5. EXCESS INSURANCE POLICY COVERAGE**

During the year ended December 31, 2021, aggregate and specific excess insurance coverage was provided as follows:

Aggregate:

- a. Retention by the Group Health and Life Fund: \$10,086,652
- b. Limit of underwriters' liability: \$1,000,000

Per person:

- a. Retention by the Group Health and Life Fund: \$300,000
- b. Limit of underwriters' liability: \$1,000,000

Excess insurance contracts do not relieve the Fund from its obligations to members. Failure of excess insurers to honor their obligations could result in losses to the Fund. Accordingly, the Fund evaluates the financial condition of its excess insurers to minimize its exposure to significant losses from excess insurer insolvency.

Additionally, the Fund remitted all life premiums collected during the years ended December 31, 2021 and 2020 to a life insurance company. These premiums, which approximated \$28,000 and \$27,000 for the years ended December 31, 2021 and 2020, respectively, are included in the Statements of Revenues, Expenses and Changes in Net Position.

**6. CONCENTRATIONS AND CONTINGENCIES**

The insured member groups who participate in the Fund are public entities in the state of Louisiana. The Fund does not insure any other members outside of Louisiana.

During the year ended December 31, 2021, the Fund made claim payments to one provider representing approximately 30% of total claims paid. During the year ended December 31, 2020, the Fund made claim payments to three providers representing approximately 43% of total claims paid.

During the year ended December 31, 2021, the Fund had four member groups that represented more than 10% of total premiums received on an individual basis. For the year ended December 31, 2021, these member groups represented approximately 63% of total premiums. During the year ended December 31, 2020, the Fund had four member groups that represented more than 10% of total premiums received on an individual basis. For the year ended December 31, 2020, these member groups represented approximately 64% of total premiums and 100% of total premiums receivable.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**GROUP HEALTH AND LIFE FUND**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO**  
**CHIEF EXECUTIVE OFFICER**  
**YEAR ENDED DECEMBER 31, 2021**

**Agency Head Name:** Guy Cormier

<b>Purpose</b>	<b>Amount</b>
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties)	-

\*\*No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.



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**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**

Officers and Trustees  
Parish Government Risk Management Agency  
Group Health and Life Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Parish Government Risk Management Agency – Group Health and Life Fund (the Fund), which comprise the statement of net position as of December 31, 2021, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2022.

**Internal Control Over Financial Reporting**

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

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

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





### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana  
June 27, 2022

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**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

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## **INDEPENDENT AUDITORS' REPORT**

Officers and Trustees  
Parish Government Risk Management Agency  
Workers' Compensation Fund

### **Opinion**

We have audited the accompanying financial statements of the business type activities of Parish Government Risk Management Agency – Workers' Compensation Fund (a quasi-public organization) (the Fund), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund basic financial statements. The schedule of compensation, benefits, and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits, and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 27, 2022, on our consideration of the Fund's internal control over financial reporting and 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 *Governmental Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 27, 2022

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

The Management's Discussion and Analysis of the Parish Government Risk Management Agency – Workers' Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities for the years ended December 31, 2021 and 2020. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

**Financial Highlights**

- The assets of the Fund exceeded its liabilities at December 31, 2021 by \$3,651,877 compared to \$3,546,156 as of December 31, 2020, which is a 3.0% increase from the previous year.
- At December 31, 2021, the Fund's assets totaled \$10,064,377 which consisted primarily of direct and indirect investments in U.S. Government debt obligations, premiums and reinsurance receivables. At December 31, 2020, the Fund's assets totaled \$11,449,858 and were comprised of similar types of assets.
- The Fund reported earned premiums of \$2,542,650 and \$3,402,770 during the years ended December 31, 2021 and 2020, respectively, and an increase in net position of \$105,721 and \$142,724 for the years ending December 31, 2021 and 2020, respectively.
- At the end of the current fiscal year, the Fund's net position totaled \$3,651,877 or approximately 161.6% of the current year expenses.

**Overview of the Financial Statements**

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by the private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). The Statements of Net Position also provide the basis for computing the rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the years' revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the years and can be used to determine whether the Fund has successfully recovered all its costs through its premiums and investment income, profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

**Overview of the Financial Statements** (continued)

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

**Financial Analysis of the Fund**

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in them. Net position (difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

**Condensed Statements of Net Position**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total assets	\$ 10,064,377	\$ 11,449,858
Deferred outflows	-	-
Total liabilities	6,412,500	7,903,702
Deferred inflows	<u>-</u>	<u>-</u>
Net position	<u>\$ 3,651,877</u>	<u>\$ 3,546,156</u>

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets decreased by approximately 12.1% from the prior year as a result of decreases in the fair value of investments and negative operating cash flows due to reduced participation in the Fund. Assets consisted primarily of U.S. Government investments and securities, premiums and reinsurance receivables. Total liabilities decreased approximately 18.9% includes decreases in various categories which primarily relate to decreases in liabilities for losses and loss adjustment expenses and decreases in unearned premiums from decreases in membership in 2021. Net position increased approximately 3.0% from the prior year resulting from current period operating gains.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

**Condensed Statements of Revenues and Expenses and Changes in Net Position  
for the Years Ended December 31:**

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 2,542,650	\$ 3,402,770
Operating expenses	<u>2,260,135</u>	<u>3,839,098</u>
Operating income (loss)	282,515	(436,328)
Non-operating (loss) income	<u>(176,794)</u>	<u>579,052</u>
Change in net position	<u>\$ 105,721</u>	<u>\$ 142,724</u>

Premium revenues decreased \$860,120 or 25.3% primarily due to losses in membership and changes in covered payroll. Investment income decreased in the current year as a result of unfavorable changes in the estimated fair value of the investment portfolio which is consistent with the market for similar investments. During the year ended December 31, 2021, the Fund reported premiums earned income of \$2,542,650 and non-operating investment losses of (\$176,794). During 2021, the Fund reported total expenses of \$2,260,135, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. Total expenses decreased approximately \$1,579,000 or 41.1% compared to the prior year primarily as a result of decreases in losses and loss adjustment expenses and related insurance expense resulting from decreases in membership as well as favorable development of loss reserve estimation.

**Financial Outlook**

The Fund anticipates consistency in membership during the next fiscal year. Management emphasizes that the Fund's expenses are greatly impacted by claims losses and claims related expenses which are influenced by factors beyond management's control, including the rate of medical inflation, judicial rulings, and legislative changes.

**Requests for Information**

This financial report is designed to provide our members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Parish Government Risk Management Agency – Workers' Compensation Fund, 707 North Seventh Street, Baton Rouge, Louisiana 70802 or 225-343-2835.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2021 AND 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 210,997	\$ 359,877
Investments	9,584,767	10,797,578
Premiums receivable, net	175,415	178,438
Reinsurance and other receivables on paid losses	50,975	64,985
Accrued interest receivable	42,223	48,980
	<hr/>	<hr/>
Total assets	<u>\$ 10,064,377</u>	<u>\$ 11,449,858</u>

**LIABILITIES AND NET POSITION**

Liabilities:		
Liability for losses and loss adjustment expenses	\$ 4,239,634	\$ 4,583,385
Insurance-related assessments payable	471,274	542,042
Due to affiliates	1,872	179,482
Unearned premiums	1,566,245	2,244,407
Accrued liabilities	133,475	354,386
	<hr/>	<hr/>
Total liabilities	6,412,500	7,903,702
Net position	<u>3,651,877</u>	<u>3,546,156</u>
Total liabilities, deferred inflows, and net position	<u>\$ 10,064,377</u>	<u>\$ 11,449,858</u>

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

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b><u>OPERATING REVENUES</u></b>		
Premiums earned	\$ 2,542,650	\$ 3,402,770
Total revenues	2,542,650	3,402,770
<b><u>OPERATING EXPENSES</u></b>		
Losses and loss adjustment expenses	957,494	1,652,216
Service agent fees	389,172	809,280
Administrative expenses	305,286	498,898
Excess insurance premiums	511,539	812,652
Insurance-related assessments	96,644	66,052
Total expenses	2,260,135	3,839,098
<b><u>OPERATING INCOME (LOSS)</u></b>	282,515	(436,328)
<b><u>NON-OPERATING (LOSS) INCOME</u></b>		
Net investment (loss) income	(176,794)	579,052
	(176,794)	579,052
<b><u>CHANGE IN NET POSITION</u></b>	105,721	142,724
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	3,546,156	3,403,432
<b><u>NET POSITION - END OF YEAR</u></b>	\$ 3,651,877	\$ 3,546,156

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

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ 282,515	\$ (436,328)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	3,023	33,476
Reinsurance and other receivables on paid losses	14,010	221,429
Liability for losses and loss adjustment expenses	(343,751)	(549,633)
Unearned premiums	(678,162)	306,651
Insurance-related assessments payable	(70,768)	(19,930)
Accrued liabilities	(220,911)	259,510
<b>Net cash used in operating activities</b>	<b>(1,014,044)</b>	<b>(184,825)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Net investment income received	227,978	248,524
Purchases of investments	(1,797,304)	(2,637,923)
Proceeds from sales and maturities of investments	2,612,100	2,419,423
<b>Net cash provided by investing activities</b>	<b>1,042,774</b>	<b>30,024</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances to/from affiliates, net	(177,610)	37,576
<b>Net cash (used in) provided by investing activities</b>	<b>(177,610)</b>	<b>37,576</b>
Net change in cash and cash equivalents	(148,880)	(117,225)
Cash and cash equivalents at beginning of year	359,877	477,102
Cash and cash equivalents at end of year	\$ 210,997	\$ 359,877

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

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) *Background and Financial Statement Presentation***

The Parish Government Risk Management Agency (PGRMA) -Workers' Compensation Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of inter-local risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Policy Jury Association of Louisiana, Inc. (PJA); a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund, after consultation with the Fund's actuarial consultant. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Administration of the Fund is vested in the Executive Board of PJA. PJA is a statewide organization composed of the police juries/parish governing authorities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana.

The Fund has contracted with a service company to administer the Fund's day-to-day affairs, subject to the superior authority of the Executive Board. The service company performs marketing, complete claims administration and reporting, including the processing and defense of claims brought against Fund members, and services in the areas of underwriting, risk management, loss control and data information services.

The various PGRMA Funds (group health and workers' compensation) are all affiliated through common membership and management control. Although all of these entities are related parties, their respective net assets are available only to the individual entity for its operations. For this reason each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and Statement No. 14.

**(b) *Basis of Accounting***

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the balance sheet is not presented in a classified format.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(c) *Net Position***

The Fund has implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. 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. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. As of December 31, 2021 and 2020, the Fund has no deferred inflows or outflows.

**(d) *Investments***

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at the time of purchase, which are reported at cost. Estimated fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized and unrealized gains and losses on investments recorded at estimated fair value are included in net investment income. Investments include money market accounts, repurchase agreements and U.S. Government Agency and Treasury obligations.

**(e) *Premium Income and Premiums Receivable***

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known.

The Fund considers premiums receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income as received.

**(f) *Liability for Losses and Loss Adjustment Expenses***

The Fund provides workers' compensation coverage to members for claims incurred during the policy period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the liability coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim's costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(f) *Liability for Losses and Loss Adjustment Expenses*** (continued)

A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expenses are presented at present value in the financial statements. The costs associated with new and renewed contracts and acquisition costs are immaterial to the financial statements and are expensed when incurred.

**(g) *Statements of Cash Flows***

Cash included in the statements of cash flows consists of cash in demand deposit accounts with banks, and money markets and repurchase agreements purchased with maturities of 90 days or less.

**(h) *Excess Insurance and Other Reimbursements***

The Fund uses excess insurance agreements to reduce its exposure to large losses on insured events. Excess insurance permits recovery of a portion of losses from excess reinsurers, although it does not discharge the primary liability of the Fund as the direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by excess insurers. Additionally, the Fund is reimbursed by the Second Injury Fund of the State of Louisiana for certain claims. Such reimbursable claims arise when a covered participant has returned to the workforce after experiencing a covered disability and is disabled for a second time with a similar injury.

**(i) *Income Taxes***

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

**(j) *Insurance Related Assessments***

The Fund is subject to assessments made by the Second Injury Fund and the Office of Workers' Compensation based on benefits paid each year. The Fund recognizes these assessments as expenses when related claim benefits are incurred rather than paid. Changes in accruals for insurance are adjusted in the year assessment changes are available.

**(k) *Use of Estimates***

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

*(l) Operating / Non-operating Revenue and Expenses*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

**2. RELATED PARTY TRANSACTIONS**

During 2021 and 2020, the Fund incurred management fee expenses to PJA in the amount of \$109,682 and \$251,466, respectively. At December 31, 2021 and 2020, \$8,000 and \$0 of these advances were owed to PJA, respectively. In addition to the Fund, PGRMA has established a Group Health and Life Fund to provide healthcare and life insurance benefits. At December 31, 2021 and 2020, the Fund has advances outstanding in the amount of \$6,128 and \$179,482, respectively, for the PGRMA Group Health and Life Fund.

**3. LIABILITY FOR LOSSES AND LOSS ADJUSTMENT EXPENSES**

The following represents activity in the Fund's liability for losses and loss adjustment expense for the years ended December 31, 2021 and 2020:

	2021	2020
Liability for unpaid losses at beginning of year (gross)	\$ 4,897,404	\$ 6,083,973
Less: excess insurance recoverable	314,019	950,955
Liability for unpaid losses at beginning of year (net)	4,583,385	5,133,018
Net incurred related to:		
Current year	1,215,580	1,694,543
Prior years	( 258,086)	( 42,327)
Total incurred	957,494	1,652,216
Net paid related to:		
Current year	237,593	336,759
Prior years	1,063,652	1,865,090
Total paid	1,301,245	2,201,849
Liability for unpaid losses at end of year (gross)	4,441,278	4,897,404
Less: excess insurance recoverable	201,644	314,019
Liability for unpaid losses at end of year (net)	\$ 4,239,634	\$ 4,583,385

In addition to the unpaid claims covered by the excess insurers, there are \$50,975 and \$64,985, respectively, of paid claims which are considered receivable from excess carriers at December 31, 2021 and 2020, respectively.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**3. LIABILITY FOR LOSSES AND LOSS ADJUSTMENT EXPENSES** (continued)

During 2021 and 2020, the Fund experienced favorable development on unpaid claims liabilities established in prior years. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2021 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2021 will not vary from the above estimates, and such differences could be significant.

The Fund's claims liabilities have been discounted at December 31, 2021 and 2020 based on the Fund's anticipated payout patterns and a discount rate assumption of 2.84% and 3.08%, respectively, which management expects to approximate the investment earnings over the payout period. The effect of discounting was approximately \$288,000 and \$347,000 at December 31, 2021 and 2020, respectively.

The Fund has approximately \$202,000 and \$314,000 in specific excess recoverables at December 31, 2021 and 2020, respectively, due to projected claims in excess of the specific retentions.

**4. DEPOSITS AND INVESTMENTS**

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2021 and 2020.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are certificates of deposit, money market accounts and repurchase agreements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2021:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp; Poors Rating</u>	<u>Average Maturity (Years) (3)</u>
Federal Home Loan Bank	\$ 2,724,321	\$ 2,778,241	28.9%	AA+	4.65
Federal Home Loan Mortgage Corporation (FHLMC)	608,478	630,268	6.6%	(1)	9.04
Federal National Mortgage Association (FNMA)	5,480,909	5,525,998	57.7%	(2)	7.23
Other government debt obligations	<u>638,018</u>	<u>650,260</u>	<u>6.8%</u>	(1)	5.50
Total	<u>\$ 9,451,726</u>	<u>\$ 9,584,767</u>	<u>100.0%</u>		

(1) Comprised of investments which did not require credit quality ratings.

(2) Comprised of \$3,589,976 of investments rated AA+ and \$1,936,022 of investments which did not require credit quality ratings.

At December 31, 2021, the Fund has cash equivalents totaling \$92,484 which are held in an investment brokerage account. This balance represents an investment in money market funds that because of their relative liquidity are reported as cash equivalents in the Statements of Net Position.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2020:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp; Poors Rating</u>	<u>Average Maturity (Years) (3)</u>
Federal Home Loan Bank	\$ 2,494,350	\$ 2,646,378	24.5%	AA+	5.28
Federal Home Loan Mortgage Corporation (FHLMC)	951,308	989,342	9.2%	(1)	9.95
Federal National Mortgage Association (FNMA)	5,761,065	5,996,660	55.5%	(2)	6.40
Other government debt obligations	<u>1,102,581</u>	<u>1,165,198</u>	<u>10.8%</u>	(1)	5.74
Total	<u>\$ 10,309,304</u>	<u>\$ 10,797,578</u>	<u>100.0%</u>		

(1) Comprised of investments which did not require credit quality ratings.

(2) Comprised of \$4,518,083 of investments rated AA+ and \$1,478,577 of investments which did not require credit quality ratings.

At December 31, 2020, the Fund has cash equivalents totaling \$149,710 which are held in an investment brokerage account. This balance represents an investment in money market funds that because of their relative liquidity are reported as cash equivalents in the Statements of Net Position.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

4. **DEPOSITS AND INVESTMENTS** (continued)

***Custodial Credit Risk***

Custodial credit risk for cash and cash equivalents is the risk that in the event of financial institution failure, the Fund's deposits may not be returned to them. The Fund has no custodial credit risk with respect to demand deposit accounts at December 31, 2021. The Fund's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments that is in the possession of an outside party. At December 31, 2021, the Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to meet its obligations. The Fund minimizes this risk by adhering to an investment strategy designed to achieve a conservative risk/return characteristic.

***Concentration of Credit Risk***

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the estimated fair value of an investment. The Fund measures and monitors the weighted-average maturity of the fixed income securities portfolio to manage exposure to interest rate risk. This includes the weighted-average maturities of the total fixed income portfolio, individual securities, as well as categories of securities held by the Fund.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

The amortized cost and estimated fair value of investment securities as of December 31, 2021, by contractual maturity, are shown below. In some instances, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ -	\$ -
Due after one year through five years	1,473,028	1,508,223
Due after five years through ten years	1,871,517	1,900,848
Due after ten years	17,793	19,430
	<u>3,362,338</u>	<u>3,428,501</u>
Mortgage backed securities	6,089,388	6,156,266
	<u>\$ 9,451,726</u>	<u>\$ 9,584,767</u>

Net investment income for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 183,821	\$ 211,552
Net realized losses	(5,382)	(23,614)
Unrealized (losses) gains arising during the year – net	<u>(355,233)</u>	<u>391,114</u>
	<u>\$ (176,794)</u>	<u>\$ 579,052</u>

***Fair Value***

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**4. DEPOSITS AND INVESTMENTS** (continued)

The fair value of investment securities was determined as follows at December 31, 2021 and 2020:

<b>December 31, 2021:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Securities	\$ 6,997,161	\$ -	\$ 6,997,161
U.S. Government Securities	-	2,587,606	2,587,606
	<u>\$ 6,997,161</u>	<u>\$ 2,587,606</u>	<u>\$ 9,584,767</u>

<b>December 31, 2020:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Securities	\$ 8,295,502	\$ -	\$ 8,295,502
U.S. Government Securities	-	2,502,076	2,502,076
	<u>\$ 8,295,502</u>	<u>\$ 2,502,076</u>	<u>\$ 10,797,578</u>

**5. EXCESS INSURANCE POLICY COVERAGE**

The Fund purchases aggregate excess and specific excess coverage for protection against losses in excess of the applicable retentions. Aggregate excess coverage takes effect when total net losses exceed the attachment point for each policy period. The aggregate excess coverage for the open claims years are as shown below:

<u>Fund Year</u>	<u>Attachment Point</u>	<u>Coverage</u>
2001	\$ 3,743,106	\$ 4,000,000
2002	4,461,748	4,000,000
2003	5,043,852	4,000,000
2004	6,625,895	4,000,000
2005	6,121,866	4,000,000
2006	6,441,101	4,000,000
2007	6,754,715	4,000,000
2008	5,651,314	4,000,000
2009	5,327,006	4,000,000
2010	4,693,266	4,000,000
2011	4,766,430	4,000,000
2012	5,364,080	4,000,000
2013	6,074,440	4,000,000
2014	6,945,161	4,000,000
2015	6,687,186	4,000,000
2016	6,960,190	4,000,000
2017	6,273,938	4,000,000
2018	6,556,367	4,000,000
2019	6,409,321	4,000,000
2020	5,946,545	4,000,000
2021	6,615,591	4,000,000

The aggregate policies are combined for the 2000, and 2001 through 2002 policy periods. As such, the losses for the applicable years are combined in order to calculate the excess coverage rather than calculating this on an individual year basis.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**5. EXCESS INSURANCE POLICY COVERAGE** (continued)

Specific excess coverage takes effect when losses from an individual claim exceed the attachment point (which is in excess of the maintenance deductible) for each policy period. The specific excess coverage for the open claim years are shown below.

<u>Fund Year</u>	<u>Attachment Point</u>	<u>Coverage</u>
2001	\$ 250,000	Statutory
2002	250,000	Statutory
2003	275,000	Statutory
2004	300,000	Statutory
2005	350,000	Statutory
2006	375,000*	Statutory
2007	400,000	Statutory
2008	400,000	Statutory
2009	500,000	Statutory
2010	500,000	Statutory
2011	500,000	Statutory
2012	500,000	Statutory
2013	750,000	Statutory
2014	750,000	Statutory
2015	800,000	Statutory
2016	800,000	Statutory
2017	800,000	Statutory
2018	800,000	Statutory
2019	800,000	Statutory
2020	800,000	Statutory
2021	800,000	Statutory

\*Except for occurrences resulting in injury covered under the U.S. Longshoremen's and Harborworkers' Compensation Act which has a self-insured retention of \$750,000 and vehicle-related occurrences which have a self-insured retention of \$400,000.

These excess contracts do not relieve the Fund from its obligations to policyholders. Failure of excess carriers to honor their obligations could result in losses to the Fund. The Fund evaluates the financial condition of its excess carriers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize its exposure to significant losses from excess carrier insolvencies.

**6. CONCENTRATION**

The insured members who participate in the Fund are all public entities in the State of Louisiana. The Fund does not insure any other members outside of Louisiana. The Fund also obtains excess insurance coverage from a limited number of excess insurers.



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**

**SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION**

**DECEMBER 31, 2021**

**(Unaudited)**

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense net of loss assumed by reinsurers incurred by the Fund as of the end of 2021 and as of the end of each of the last nine years.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in thousands)									
ENP and investment income	\$ 2,366	\$ 3,982	\$ 4,149	\$ 4,326	\$ 4,450	\$ 4,520	\$ 5,003	\$ 4,733	\$4,390	\$ 5,164
Operating costs, unallocated	1,303	2,187	2,068	2,426	2,432	2,270	2,486	2,252	2,223	2,135
Estimated incurred claims and expense, end of policy year	1,250	1,750	2,500	2,200	2,650	2,300	2,790	2,900	2,100	3,175
Paid (cumulative) as of:										
End of policy year	238	337	519	660	479	413	578	1,242	370	614
One year later	-	570	1,467	807	1,109	990	1,460	2,050	835	1,224
Two years later	-	-	1,848	948	1,460	1,210	2,016	2,208	1,219	1,631
Three years later	-	-	-	1,009	1,554	1,568	2,839	2,732	1,343	1,764
Four years later	-	-	-	-	1,604	1,924	3,334	3,008	1,312	1,816
Five years later	-	-	-	-	-	1,680	3,480	2,830	1,549	1,855
Six years later	-	-	-	-	-	-	3,909	2,931	1,497	1,766
Seven years later	-	-	-	-	-	-	-	2,839	1,409	1,765
Eight years later	-	-	-	-	-	-	-	-	1,357	1,789
Nine years later	-	-	-	-	-	-	-	-	-	1,791
Re-estimated incurred claims and claims expense:										
End of policy year	1,250	1,750	2,500	2,200	2,650	2,300	2,790	2,900	2,100	3,175
One year later	-	1,300	2,900	1,500	2,170	1,900	2,800	2,900	1,525	2,450
Two years later	-	-	3,100	1,500	2,200	1,980	3,475	3,200	1,650	2,275
Three years later	-	-	-	1,300	1,900	2,100	3,800	3,425	1,570	2,200
Four years later	-	-	-	-	1,900	1,950	4,250	3,188	1,521	2,185
Five years later	-	-	-	-	-	1,750	4,400	2,850	1,572	2,010
Six years later	-	-	-	-	-	-	4,400	2,900	1,550	1,866
Seven years later	-	-	-	-	-	-	-	2,839	1,400	1,800
Eight years later	-	-	-	-	-	-	-	-	1,357	1,850
Nine years later	-	-	-	-	-	-	-	-	-	1,800
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(450)	600	(900)	(750)	(550)	1,610	(61)	(743)	(1,375)

See accompanying independent auditors' report.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**  
**WORKERS' COMPENSATION FUND**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO**  
**CHIEF EXECUTIVE OFFICER**  
**YEAR ENDED DECEMBER 31, 2021**

**Agency Head Name:** Guy Cormier

<b>Purpose</b>	<b>Amount</b>
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties)	-

\*\*No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.



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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**

Officers and Trustees  
Parish Government Risk Management Agency  
Workers' Compensation Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Parish Government Risk Management Agency – Workers' Compensation Fund (the Fund), which comprise the statement of net position as of December 31, 2021, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2022.

**Internal Control Over Financial Reporting**

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

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

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



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 27, 2022

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**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**

**REPORT ON STATEWIDE**  
**AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL**  
**AREAS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of the  
Parish Government Risk Management Agency  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Parish Government Risk Management Agency's management is responsible for those C/C areas identified in the SAUPs.

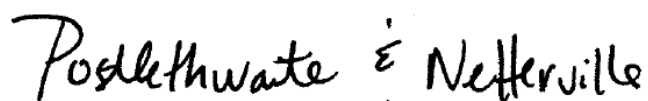
The Agency has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by Parish Government Risk Management Agency to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Baton Rouge, Louisiana  
June 27, 2022

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

---

*Administration of the Funds are vested in the Executive Board of the Police Jury Association (PJA). PJA is an association for the police juries of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. PJA acts as the administrator for the Funds. The Funds and PJA are affiliated through common membership and management control. Although both of these entities are related parties, their net position is available only to the respective entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14. PJA did not receive any state or federal funding during the year ended December 31, 2021.*

***A - Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

*The Agency does not maintain written policies or procedures. The Agency only has the following employees: one executive director, a chief financial officer, an executive assistant and a membership services administrator and does not maintain written policies or procedures. The Funds are included within the PJA budget and therefore does not have a budgeting function.*

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

*Not applicable, see above.*

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

*Exception, see above.*

- c) ***Disbursements***, including processing, reviewing, and approving

*Exception, see above.*

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Exception, see above.*



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

*Not applicable, see above.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*Exception, see above.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*Not applicable, see above.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*Not applicable, see above.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

*Exception, see above.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Not applicable, see above.*

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*Exception, see above.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*Exception, see above.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

***B - Board or Finance Committee***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*No exception noted.*

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

*No exception noted.*

*Procedure is not applicable. The Agency does not prepare a budget for the two separate funds. The Police Jury Association, which has the same board of directors as the Agency, does prepare an annual budget. The Agency is included as part of the PJA budget, which is reviewed on an annual basis, and discussed during each of the quarterly meetings.*

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

*Procedure is not applicable.*

***C - Bank Reconciliations***

---

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

*A listing of bank accounts was provided and included a total of 2 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

*From the listing provided, we selected the 2 bank accounts (2 main operating) and obtained the bank reconciliations for the month ending December 31, 2021, resulting in 2 bank reconciliations obtained and subjected to the below procedures.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*No exceptions noted.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No exceptions noted. Of the 5 bank accounts selected, neither of the bank reconciliations had reconciling items that have been outstanding for more than 12 months.*

**D - Collections (excluding electronic funds transfers)**

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was provided and included a total of 1 deposit site. The Agency receives all cash/check/money order (cash) collections at one location. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected the 1 deposit site and performed the procedures below.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected one collection location for each deposit site. As the Agency does not have written policies or procedures, inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions noted.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*No exceptions noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions noted.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

*No exceptions noted.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

*We randomly selected two deposit dates for each of the 2 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 4 deposits and performed the procedures below.*

- a) Observe that receipts are sequentially pre-numbered.

*The Entity does not maintain sequentially pre-numbered receipts.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions noted.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

*For 2 of the 4 deposits selected for our procedures, the deposit was not made within one business day of receipt at the collection location (within once a week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored security in a locked safe or drawer).*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

***E - Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

---

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected all of the locations (total of 2) and performed the procedures below.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.*

*As the Agency does not have written policies or procedures, inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions noted. A formal requisition/purchase order system is not used. Claims disbursements are initiated by the third-party vendor, approved by management and/or the Board and then processed by the third party administrative personnel. Non-claims disbursements are supported by invoices and initiated and processed by the Agency's personnel and are approved by management.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions noted.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exceptions noted.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions noted.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected 5 disbursements (total of 10) and performed the procedures below.*

- a) Observe that the disbursement matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

*No exceptions noted.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions noted.*

***F - Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*Procedure is not applicable as the Agency does not have any associated credit cards.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

*See above, not applicable.*

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*See above, not applicable.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*See above, not applicable.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

*See above, not applicable.*

**G - Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*Procedure is not applicable as the Agency does not have any travel and related expense reimbursements.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Not applicable, see above.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*Not applicable, see above.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*Not applicable, see above.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Not applicable, see above.*

***H - Contracts***

---

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*None of the 5 contracts selected for our procedures, was subject to Louisiana Public Bid Law and was not compliant.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*No exceptions noted.*

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

*No exceptions noted.*



**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
DECEMBER 31, 2021**

Schedule A

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions noted.*

***I - Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*This procedure is not applicable as salaries are not paid through the Agency. All salaries are paid by the Police Jury Association.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

*Not applicable, see above.*

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

*Not applicable, see above.*

- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

*Not applicable, see above.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*Not applicable, see above.*

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*Not applicable, see above.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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DECEMBER 31, 2021**

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18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

*Not applicable, see above.*

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*Not applicable, see above.*

***J - Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*No employees based on section "I - Payroll and Personnel". However, the executive director signs an annual ethics policy and the chief financial officer does obtain ethics training that is required for her certification. No exceptions noted.*

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

*No exceptions noted.*

***K - Debt Service***

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*Not applicable.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*Not applicable.*

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***L - Fraud Notice***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*There were no misappropriations of public funds and assets reported during the fiscal period. No exceptions were noted as a result of performing this procedure.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exception noted.*

***M - Information Technology Disaster Recovery/Business Continuity***

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25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

*We performed the procedure and discussed the results with management. No exceptions noted.*

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management. No exceptions noted.*

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management. No exceptions noted.*

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***N - Sexual Harassment***

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26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

*Procedure is not applicable. The Agency does not have employees as noted in section “I – Payroll and Personnel”.*

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

*Not applicable, see above.*

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

*Not applicable, see above.*

- b) Number of sexual harassment complaints received by the agency;

*Not applicable, see above.*

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

*Not applicable, see above.*

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

*Not applicable, see above.*

- e) Amount of time it took to resolve each complaint.

*Not applicable, see above.*

# PARISH GOVERNMENT RISK MANAGEMENT AGENCY

707 North 7th St., Baton Rouge, LA 70802



6/27/2022

Louisianan Legislative Auditor  
1600 N 3<sup>rd</sup> St.  
Baton Rouge, LA 70802

Re: Responses to Statewide Agreed-Upon Procedures 2021

Dear LA Legislative Auditor:

The following are responses to the 2021 PGRMA Audit findings which were conducted by our auditors, Postlethwaite & Netterville, APAC:

1. Written Policies and Procedures

PGRMA has well established policies and procedures in place. We are working on getting these policies and procedures documented in a formal written format for Budgeting, Purchasing, Disbursements, Receipts, Contracts, Ethics, Disaster Recover/Business Continuity and Sexual Harassment.

7d) Collections (excluding electronic funds transfers)

PGRMA collects checks throughout the week and checks are stored in a secure location. These checks are then processed and deposited into our financial institution on Thursday of each week.

Sincerely,

PARISH GOVERNMENT RISK MANAGEMENT AGENCY

Candace R. Herrin  
Chief Financial Officer