
PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 – 5
 <u>Financial Statements</u>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 19
 <u>Required Supplemental Information</u>	
Schedule of Ten-Year Claims Development Information (Unaudited)	20
 <u>Other Supplemental Information</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	21
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 <i>Government Auditing Standards</i>	22 – 23

INDEPENDENT AUDITORS' REPORT

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

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) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parish Government Risk Management Agency - Workers' Compensation Fund as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the schedule of ten-year claims development information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Parish Government Risk Management Agency – Workers' Compensation Fund 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 24, 2019, 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, 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 24, 2019

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, 2018 and 2017. 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, 2018 by \$3,538,185 compared to \$3,555,049 as of December 31, 2017, which is a 0.5% decrease from the previous year.
- At December 31, 2018, the Fund's assets totaled \$11,430,408 which consisted primarily of direct and indirect investments in U.S. Government debt obligations, premiums and reinsurance receivables. At December 31, 2017, the Fund's assets totaled \$11,777,642 and were comprised of similar types of assets.
- The Fund reported earned premiums of \$4,213,592 and \$4,291,764 during the years ended December 31, 2018 and 2017, respectively, and a decrease in net position of \$16,864 for the year ending December 31, 2018 and a decrease of \$562,040 during the year ended December 31, 2017.
- At the end of the current fiscal year, the Fund's net position totaled \$3,538,185 or approximately 81.5% 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, 2018</u>	<u>December 31, 2017</u>
Total assets	\$ 11,430,408	\$ 11,777,642
Deferred outflows	-	-
Total liabilities	7,892,223	8,222,593
Deferred inflows	-	-
Net position	<u>\$ 3,538,185</u>	<u>\$ 3,555,049</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 2.9% from the prior year. Assets consisted primarily of U.S. Government investments and securities, premiums and reinsurance receivables. Total liabilities decreased approximately 4.0% primarily due decreases in unpaid claims liabilities due to favorable development experienced. Net position decreased approximately .5% from the prior year resulting from current period losses.

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>2018</u>	<u>2017</u>
Operating revenues	\$ 4,213,592	\$ 4,291,764
Operating expenses	<u>4,343,140</u>	<u>5,011,887</u>
Operating loss	(129,548)	(720,123)
Non-operating income	<u>112,684</u>	<u>158,083</u>
Change in net position	<u>\$ (16,864)</u>	<u>\$ (562,040)</u>

Premium revenues decreased \$78,172 or 1.8% primarily due to 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. During the year ended December 31, 2018, the Fund reported premiums earned income of \$4,213,592 and non-operating investment income of \$112,684. During 2018, the Fund reported total expenses of \$4,343,140, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. Total expenses decreased approximately \$669,000 or 13.3% compared to the prior year primarily as a result of decreases in estimated losses incurred in the most recent accident year and favorable changes in estimated losses in prior years.

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, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 607,939	\$ 343,638
Investments	9,674,360	10,615,705
Premiums receivable, net	266,441	259,421
Due from affiliates	16,072	13,531
Reinsurance and other receivables on paid losses	814,685	489,287
Accrued interest receivable	50,911	56,060
	<u> </u>	<u> </u>
Total assets	<u>\$ 11,430,408</u>	<u>\$ 11,777,642</u>
Deferred outflows	-	-

LIABILITIES AND NET POSITION

Liabilities:		
Liability for losses and loss adjustment expenses	\$ 4,458,717	\$ 5,273,817
Insurance-related assessments payable	812,370	698,298
Due to affiliates	547,000	427,000
Unearned premiums	1,813,908	1,706,929
Accrued liabilities	260,228	116,549
	<u> </u>	<u> </u>
Total liabilities	7,892,223	8,222,593
Deferred inflows	-	-
Net position	<u>3,538,185</u>	<u>3,555,049</u>
	<u> </u>	<u> </u>
Total liabilities, deferred inflows, and net position	<u>\$ 11,430,408</u>	<u>\$ 11,777,642</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 4,213,592	\$ 4,291,764
Total revenues	<u>4,213,592</u>	<u>4,291,764</u>
<u>OPERATING EXPENSES</u>		
Losses and loss adjustment expenses	1,917,392	2,580,025
Service agent fees	743,256	742,992
Administrative expenses	630,513	702,739
Excess insurance premiums	753,249	788,458
Insurance-related assessments	298,730	197,673
Total expenses	<u>4,343,140</u>	<u>5,011,887</u>
<u>OPERATING LOSS</u>	(129,548)	(720,123)
<u>NON-OPERATING INCOME</u>		
Net investment income	112,684	158,083
	<u>112,684</u>	<u>158,083</u>
<u>CHANGE IN NET POSITION</u>	(16,864)	(562,040)
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>3,555,049</u>	<u>4,117,089</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 3,538,185</u>	<u>\$ 3,555,049</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating loss	\$ (129,548)	\$ (720,123)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	(7,020)	24,873
Reinsurance and other receivables on paid losses	(325,398)	130,256
Liability for losses and loss adjustment expenses	(815,100)	(29,472)
Unearned premiums	106,979	(66,777)
Insurance-related assessments payable	114,072	79,584
Accrued liabilities	143,679	5,042
Net cash used in operating activities	<u>(912,336)</u>	<u>(576,617)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net investment income received	278,411	280,054
Purchases of investments	(1,151,338)	(2,689,851)
Proceeds from sales and maturities of investments	1,932,105	1,465,554
Net cash provided by (used in) investing activities	<u>1,059,178</u>	<u>(944,243)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Advances to/from affiliates, net	<u>117,459</u>	<u>327,981</u>
Net cash provided by investing activities	<u>117,459</u>	<u>327,981</u>
Net change in cash and cash equivalents	264,301	(1,192,879)
Cash and cash equivalents at beginning of year	<u>343,638</u>	<u>1,536,517</u>
Cash and cash equivalents at end of year	<u>\$ 607,939</u>	<u>\$ 343,638</u>

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, 2018 and 2017, 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

It is management's opinion that the Fund is exempt from federal and state income taxes.

(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 2018 and 2017, the Fund incurred management fee expenses to PJA in the amount of \$347,000 and \$427,000, respectively. At December 31, 2018 and 2017, \$347,000 and \$227,000 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, 2018 and 2017, the Fund has advances outstanding in the amount of \$200,000 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Liability for unpaid losses at beginning of year (gross)	\$ 7,101,512	\$ 6,984,591
Less: excess insurance recoverable	<u>1,827,695</u>	<u>1,681,302</u>
Liability for unpaid losses at beginning of year (net)	<u>5,273,817</u>	<u>5,303,289</u>
Net incurred related to:		
Current year	2,147,977	2,565,281
Prior years	<u>(230,585)</u>	<u>14,744</u>
Total incurred	<u>1,917,392</u>	<u>2,580,025</u>
Net paid related to:		
Current year	660,017	478,695
Prior years	<u>2,072,475</u>	<u>2,130,802</u>
Total paid	<u>2,732,492</u>	<u>2,609,497</u>
Liability for unpaid losses at end of year (gross)	7,383,341	7,101,512
Less: excess insurance recoverable	<u>2,924,624</u>	<u>1,827,695</u>
Liability for unpaid losses at end of year (net)	<u>\$ 4,458,717</u>	<u>\$ 5,273,817</u>

In addition to the unpaid claims covered by the excess insurers, there are \$814,685 and \$489,287, respectively, of paid claims which are considered receivable from excess carriers at December 31, 2018 and 2017, respectively.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

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

During 2018, the Fund experienced favorable development on unpaid claims liabilities established in prior years while in 2017 the Fund experienced slightly unfavorable development. 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, 2018 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2018 will not vary from the above estimates, and such differences could be significant.

The Fund's claims liabilities have been discounted at December 31, 2018 and 2017 based on the Fund's anticipated payout patterns and a discount rate assumption of 2.75%, which management expects to approximate the interest earnings over the payout period. The effect of discounting was approximately \$256,000 and \$313,000 at December 31, 2018 and 2017, respectively.

The Fund has approximately \$2,925,000 and \$1,828,000 in specific excess recoverables at December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard & Poors Rating</u>	<u>Average Maturity (Years) (4)</u>
Federal Home Loan Bank	\$ 1,771,064	\$ 1,754,550	18.1%	AA+	3.68
Federal Home Loan Mortgage Corporation (FHLMC)	3,025,898	2,985,637	30.9%	(1)	8.10
Federal National Mortgage Association (FNMA)	4,990,455	4,867,325	50.3%	(2)	7.61
Other government debt obligations	<u>65,747</u>	<u>66,848</u>	<u>0.7%</u>	(3)	17.33
Total	<u>\$ 9,853,164</u>	<u>\$ 9,674,360</u>	<u>100.0%</u>		

(1) Comprised of \$1,192,235 of investments rated AA+ and \$1,793,402 of investments which did not require credit quality ratings.

(2) Comprised of \$3,020,663 of investments rated AA+ and \$1,846,662 of investments which did not require credit quality ratings.

(3) Comprised of \$66,848 of investments which did not require credit quality ratings.

(4) Mortgage-based securities are included based upon contractual terms. These types of securities typically experience repayments over a shorter term.

At December 31, 2018, the Fund has cash equivalents totaling \$176,219 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, 2017:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard & Poors Rating</u>	<u>Average Maturity (Years) (4)</u>
Federal Home Loan Bank	\$ 1,988,704	\$ 2,003,769	18.9%	AA+	4.41
Federal Home Loan Mortgage Corporation (FHLMC)	3,179,281	3,165,683	29.8%	(1)	7.09
Federal National Mortgage Association (FNMA)	5,230,445	5,160,715	48.6%	(2)	7.62
Other government debt obligations	<u>284,234</u>	<u>285,538</u>	<u>2.7%</u>	(3)	4.74
Total	<u>\$ 10,682,664</u>	<u>\$ 10,615,705</u>	<u>100.0%</u>		

- (1) Comprised of \$1,608,879 of investments rated AA+ and \$1,556,804 of investments which did not require credit quality ratings.
- (2) Comprised of \$3,552,176 of investments rated AA+ and \$1,608,539 of investments which did not require credit quality ratings.
- (3) Comprised of \$285,538 of investments which did not require credit quality ratings.
- (4) Mortgage-based securities are included based upon contractual terms. These types of securities typically experience repayments over a shorter term.

At December 31, 2017, the Fund has cash equivalents totaling \$117,039 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.

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, 2018. 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, 2018, 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.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

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

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.

The amortized cost and estimated fair value of investment securities as of December 31, 2018, 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	Fair Value
Due in one year or less	\$ -	\$ -
Due after one year through five years	1,282,538	1,282,892
Due after five years through ten years	503,155	486,425
Due after ten years	51,118	52,081
	1,836,811	1,821,398
Mortgage backed securities	8,016,353	7,852,962
	\$ 9,853,164	\$ 9,674,360

Net investment income for the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
Interest income	\$ 312,094	\$ 243,805
Net realized losses	(20,606)	(16,541)
Unrealized losses arising during the year – net	(178,804)	(69,181)
	\$ 112,684	\$ 158,083

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION 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, 2018 and 2017:

December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Securities – identical assets	\$ 5,967,448	\$ -	\$ 5,967,448
U.S. Government Securities – similar assets	-	3,706,912	3,706,912
	<u>\$ 5,967,448</u>	<u>\$ 3,706,912</u>	<u>\$ 9,674,360</u>

December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Securities – identical assets	\$ 7,364,254	\$ -	\$ 7,364,254
U.S. Government Securities – similar assets	-	3,251,451	3,251,451
	<u>\$ 7,364,254</u>	<u>\$ 3,251,451</u>	<u>\$ 10,615,705</u>

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

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

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

*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.

7. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was June 24, 2019, and determined that there were no significant subsequent events that required disclosure in the financial statements. No events occurring after this date have been evaluated for inclusion in these financial statements.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

DECEMBER 31, 2018

(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 2018 and as of the end of each of the last nine years.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands)									
ENP and investment income	\$ 4,326	\$ 4,450	\$ 4,520	\$ 5,003	\$ 4,733	\$ 4,390	\$ 5,164	\$ 5,278	\$ 5,262	\$ 6,446
Operating costs, unallocated	2,426	2,432	2,270	2,486	2,252	2,223	2,135	2,392	2,397	2,413
Estimated incurred claims and expense, end of policy year	2,200	2,650	2,300	2,790	2,900	2,100	3,175	4,950	3,750	4,625
Paid (cumulative) as of:										
End of policy year	660	479	413	578	1,242	370	614	1,426	553	656
One year later	-	1,109	990	1,460	2,050	835	1,224	2,666	1,404	1,505
Two years later	-	-	1,210	2,016	2,208	1,219	1,631	3,300	1,958	2,117
Three years later	-	-	-	2,839	2,732	1,343	1,764	3,782	2,407	2,422
Four years later	-	-	-	-	3,008	1,312	1,816	4,128	2,459	2,786
Five years later	-	-	-	-	-	1,549	1,855	3,963	2,472	3,262
Six years later	-	-	-	-	-	-	1,766	3,963	2,285	3,381
Seven years later	-	-	-	-	-	-	-	3,918	2,547	3,499
Eight years later	-	-	-	-	-	-	-	-	2,533	3,799
Nine years later	-	-	-	-	-	-	-	-	-	3,800
Re-estimated incurred claims and claims expense:										
End of policy year	2,200	2,650	2,300	2,790	2,900	2,100	3,175	4,950	3,750	4,625
One year later	-	2,170	1,900	2,800	2,900	1,525	2,450	4,800	3,300	4,300
Two years later	-	-	1,980	3,475	3,200	1,650	2,275	4,750	2,750	3,550
Three years later	-	-	-	3,800	3,425	1,570	2,200	4,525	3,125	3,300
Four years later	-	-	-	-	3,188	1,521	2,185	4,500	2,975	3,500
Five years later	-	-	-	-	-	1,572	2,010	4,150	2,450	3,750
Six years later	-	-	-	-	-	-	1,866	3,869	2,350	3,735
Seven years later	-	-	-	-	-	-	-	3,757	2,078	3,715
Eight years later	-	-	-	-	-	-	-	-	2,230	3,999
Nine years later	-	-	-	-	-	-	-	-	-	3,926
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(480)	(320)	1,010	288	(528)	(1,309)	(1,193)	(1,520)	(699)

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, 2018

Agency Head Name: Roland Dartez

Purpose	Amount
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.

**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, 2018, 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 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control as a basis for designing our auditing procedures 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 over financial reporting. 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 over financial reporting 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 do not 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 24, 2019

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
GROUP HEALTH AND LIFE FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
GROUP HEALTH AND LIFE FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
GROUP HEALTH AND LIFE FUND

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 5
<u>Financial Statements</u>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 18
<u>Other Supplemental Information</u>	
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer	19
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 <i>Government Auditing Standards</i>	20 – 21

INDEPENDENT AUDITORS' REPORT

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

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) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise of the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parish Government Risk Management Agency – Group Health and Life Fund as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parish Government Risk Management Agency – Group Health and Life Fund 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 24, 2019, 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 24, 2019

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, 2018 and 2017. 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, 2018 and 2017 by \$5,119,906 and \$3,973,640, respectively.
- At December 31, 2018, the Fund’s assets totaled \$5,468,809 which consisted primarily of cash, investments and receivables, as compared to the Fund’s asset balance of \$4,939,489 at December 31, 2017, which consisted primarily of cash, investments, and receivables.
- The Fund reported premiums earned of \$6,487,875 and \$14,360,614 during the years ended December 31, 2018 and 2017, respectively.
- The Fund reported an increase in net position of \$1,146,266 and \$1,460,041, respectively, during the years ended December 31, 2018 and 2017.

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, 2018</u>	<u>December 31, 2017</u>
Total assets	\$ 5,468,809	\$ 4,939,489
Deferred outflows	-	-
Total liabilities	(348,903)	(965,849)
Deferred inflows	<u>-</u>	<u>-</u>
Net position	<u>\$ 5,119,906</u>	<u>\$ 3,973,640</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 10.7% from the prior year. Assets consisted primarily of U.S. Government investments and securities, premiums and reinsurance receivables. Total liabilities deferred by 63.9%. Net position increased by 28.8% from the prior year as a result of current period net income. The Fund’s liabilities consist primarily of estimated claims payable which reduced in 2018 due to reduced claims levels.

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

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 6,539,845	\$ 14,452,947
Operating expenses	<u>(5,445,483)</u>	<u>(13,024,918)</u>
Operating income	1,094,362	1,428,029
Non-operating income	<u>51,904</u>	<u>32,012</u>
Change in net position	<u>\$ 1,146,266</u>	<u>\$ 1,460,041</u>

PARISH GOVERNMENT RISK MANAGEMENT AGENCY – GROUP HEALTH AND LIFE FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)

During the year ended December 31, 2018, the Fund reported premium income of \$6,487,875 which decreased approximately \$7.9 million from the prior year as a result of the loss of three members in 2018. In 2018, the Fund reported total expenses of \$5,445,483, which consisted primarily of claims expense, excess insurance, administrative, and other expenses, which a decrease of approximately \$7.6 million from the prior year resulting primarily from the loss of three members. Claims expenses incurred represented approximately 65% and 78% of premium income during the years ended December 31, 2018 and 2017, respectively. The Fund experienced an excess of revenues over expenses in the amount of \$1,146,266 for the current year resulting primarily from decreased claims expenses. Decreased claims costs are a result of the loss of three members combined with related expense reductions. 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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 6,487,875	\$ 14,360,614
Prescription program commissions and other income	39,898	81,956
Miscellaneous income	12,072	10,377
Total operating revenues	<u>6,539,845</u>	<u>14,452,947</u>
<u>OPERATING EXPENSES</u>		
Claims expense	4,243,841	11,213,468
Excess insurance and life insurance premiums	218,214	472,396
Affordable Care Act fees	3,277	3,352
Administrative and other expenses	980,151	1,335,702
Total operating expenses	<u>5,445,483</u>	<u>13,024,918</u>
<u>OPERATING INCOME</u>	1,094,362	1,428,029
<u>NON-OPERATING INCOME</u>		
Net investment income	51,904	32,012
	<u>51,904</u>	<u>32,012</u>
<u>CHANGE IN NET POSITION</u>	1,146,266	1,460,041
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>3,973,640</u>	<u>2,513,599</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 5,119,906</u>	<u>\$ 3,973,640</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, 2018 AND 2017

	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income	\$ 1,094,362	\$ 1,428,029
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	263,604	296,309
Reinsurance receivable on paid losses	24,526	118,428
Other receivable	13,126	(3,684)
Unpaid claims liability	(608,941)	(500,329)
Accounts payable and other accrued expenses	(8,003)	28,744
Net cash provided by operating activities	778,674	1,367,497
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(2,100,398)	(361,242)
Proceeds from sale of investments	519,296	256,382
Investment income received	73,782	61,143
Net cash used in investing activities	(1,507,320)	(43,717)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Advances from affiliates	10,541	(250,981)
Net cash provided by (used in) investing activities	10,541	(250,981)
 Net change in cash and cash equivalents	 (718,105)	 1,072,799
Cash and cash equivalents at beginning of year	1,912,005	839,206
Cash and cash equivalents at end of year	\$ 1,193,900	\$ 1,912,005

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 various 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, 2018 and 2017, 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) *Pharmacy 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*

It is management's opinion that the Fund is exempt from federal and state income taxes.

(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, 2017 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.

Amounts due from affiliates at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Due from Workers' Compensation Fund	\$ 183,928	\$ 186,469
Due to Police Jury Association	<u>(8,000)</u>	<u>(-)</u>
	<u>\$ 175,928</u>	<u>\$ 186,469</u>

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

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.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
GROUP HEALTH AND LIFE FUND

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

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

	<u>2018</u>	<u>2017</u>
Unpaid claims liability at beginning of year	\$ 935,421	\$ 1,435,750
Plus: claims expenses incurred	4,243,841	11,213,468
Less: payments	<u>(4,852,782)</u>	<u>(11,713,797)</u>
Unpaid claims liability at end of year	<u>\$ 326,480</u>	<u>\$ 935,421</u>

For the year ended December 31, 2017, claims expense incurred had been offset by specific reinsurance recoveries of \$454,500, respectively. There were no reinsurance recoveries for the year ended December 31, 2018.

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, 2018 and 2017.

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, 2018:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard & Poors Rating</u>	<u>Average Maturity (Years) (4)</u>
Federal Home Loan Bank	\$ 924,453	\$ 911,391	23.38%	AA+	5.25
Federal Home Loan Mortgage Corporation (FHLMC)	1,124,804	1,117,169	28.66%	(1)	9.23
Federal National Mortgage Association (FNMA)	1,418,814	1,402,229	35.98%	(2)	12.82
Other government debt obligations	<u>464,566</u>	<u>466,938</u>	<u>11.98%</u>	(3)	3.61
Total	<u>\$ 3,932,637</u>	<u>\$ 3,897,727</u>	<u>100.0%</u>		

(1) Comprised of \$565,483 of investments rated AA+ and \$551,686 of investments which did not require credit quality ratings.

(2) Comprised of \$633,214 of investments rated AA+ and \$769,015 of investments which did not require credit quality ratings.

(3) Comprised of \$96,959 of investments rated AA+ and \$369,979 of investments which did not require credit quality ratings.

(4) Mortgage –backed securities are included based upon contractual terms. These types of securities typically experience repayments over a shorter term.

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, 2017:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard & Poors Rating</u>	<u>Average Maturity (Years) (4)</u>
Federal Home Loan Bank	\$ 821,102	\$ 813,639	34.71%	AA+	4.59
Federal Home Loan Mortgage Corporation (FHLMC)	764,854	760,835	32.45%	(1)	5.38
Federal National Mortgage Association (FNMA)	636,721	627,539	26.77%	(2)	4.89
Other government debt obligations	<u>139,552</u>	<u>142,230</u>	<u>6.07%</u>	(3)	12.07
Total	<u>\$ 2,362,229</u>	<u>\$ 2,344,243</u>	<u>100.0%</u>		

(1) Comprised of \$420,217 of investments rated AA+ and \$340,618 of investments which did not require credit quality ratings.

(2) Comprised of \$427,201 of investments rated AA+ and \$200,338 of investments which did not require credit quality ratings.

(3) Comprised of \$56,068 of investments rated AA+ and \$86,162 of investments which did not require credit quality ratings.

(4) Mortgage –backed securities are included based upon contractual terms. These types of securities typically experience repayments over a shorter term.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
GROUP HEALTH AND LIFE 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, 2018. 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, 2018, 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
GROUP HEALTH AND LIFE FUND

NOTES TO FINANCIAL STATEMENTS

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

The amortized cost and estimated fair value of investment securities as of December 31, 2018, 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>Estimated Fair Value</u>
Due in one year or less	\$ -	\$ -
Due after one year through five years	868,810	858,413
Due after five years through ten years	461,742	461,157
Due after ten years	58,467	58,760
	<u>1,389,019</u>	<u>1,378,330</u>
Mortgage-backed securities	2,543,618	2,519,397
	<u>\$ 3,932,637</u>	<u>\$ 3,897,727</u>

Net investment income for the years ended December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 72,897	\$ 48,180
Net realized losses	(4,069)	(3,921)
Unrealized losses arising during the year-net	(16,924)	(12,247)
	<u>\$ 51,904</u>	<u>\$ 32,012</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
GROUP HEALTH AND LIFE FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The fair value of investment securities was determined as follows at December 31, 2018 and 2017:

December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Securities – identical assets	\$ 2,509,567	\$ -	\$ 2,509,567
U.S. Government Securities – similar assets	-	1,388,160	1,388,160
	<u>\$ 2,509,567</u>	<u>\$ 1,388,160</u>	<u>\$ 3,897,727</u>

December 31, 2017:

U.S. Government Securities – identical assets	\$ 1,717,124	\$ -	\$ 1,717,124
U.S. Government Securities – similar assets	-	627,119	627,119
	<u>\$ 1,717,124</u>	<u>\$ 627,119</u>	<u>\$ 2,344,243</u>

5. EXCESS INSURANCE POLICY COVERAGE

During the year ended December 31, 2018, aggregate and specific excess insurance coverage was provided as follows:

Aggregate:

- a. Retention by the Group Health and Life Fund: \$7,122,131
- 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

Additionally, the Fund remitted all life premiums collected during the years ended December 31, 2018 and 2017 to a life insurance company. These premiums, which approximated \$23,000 and \$31,000 for the years ended December 31, 2018 and 2017, respectively, are included in the Statements of Revenues, Expenses and Changes in Net Position.

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.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
GROUP HEALTH AND LIFE FUND

NOTES TO FINANCIAL STATEMENTS

6. CONCENTRATIONS

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, 2018, the Fund made claim payments to two providers representing approximately 42% of total claims paid. During the year ended December 31, 2017, the Fund made claim payments to two providers representing approximately 35% of total claims paid.

During the year ended December 31, 2018, the Fund had three member groups that represented more than 10% of total premiums received on an individual basis. For the year ended December 31, 2018, these member groups represented approximately 75% of total premiums and 83% of total premiums receivable. During the year ended December 31, 2017, 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, 2017, these member groups represented approximately 73% of total premiums and 99% of total premiums receivable.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was June 24, 2019, and determined that there were no additional significant subsequent events that required disclosure in the financial statements. No events occurring after this date have been evaluated for inclusion in these financial statements.

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, 2018

Agency Head Name: Roland Dartez

Purpose	Amount
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.

**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, 2018, 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 24, 2019.

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 as a basis for designing our auditing procedures 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 over financial reporting 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 does not 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 24, 2019

PARISH GOVERNMENT RISK MANAGEMENT AGENCY

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT

YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Schedule A: Agreed-Upon Procedures and Observations and Associated Results	2 - 12



8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

A Professional Accounting Corporation

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, which were agreed to by the Parish Government Risk Management Agency (the Agency) and the Louisiana Legislative Auditor (LLA) (the specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Agency's management is responsible for those C/C areas identified in the SAUPs. The Parish Government Risk Management Agency consists of two funds that require SAUPs. These funds are the Workers' Compensation Fund and the Group Health and Life Fund, which will collectively be referred to as the Agency.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

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

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 24, 2019

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

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, 2018.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "no exception noted". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

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 administration fees are included within the PJA budget which is reviewed on an annual basis.

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

Exception, 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**, 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 PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read 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.

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.

Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.

Bank Reconciliations

3. Obtain a listing of client 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 selected each account, and observe that:

A listing of bank accounts was provided and included two bank accounts. Management represented that the listing is complete.

From the listing provided, we selected all bank accounts and obtained the bank reconciliations for the month ending June 30, 2018, 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 exception 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.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

Collections

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).

The Agency receives all cash/check/money order (cash) collections at one location.

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 (above) was provided and included a total of 1 collection location.

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

Not applicable.

- 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. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The Agency stated that 1 of the 3 employees who have access to cash are bonded and/or covered under the Agency's insurance policy.

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

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

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.

No exceptions noted.

- 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.

- d) Observe that 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).

No exceptions noted.

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

No exceptions noted.

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 and included a total of one location. No exceptions were noted as a result of performing this procedure.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

From the listing provided, we selected all locations 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.

- 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.

- 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.

The Agency's personnel responsible for preparing payments also mails payments.

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 and performed the procedures below.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

- 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.

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.

Not applicable. The Agency does not have any credit cards/debit cards/fuel cards/p-cards during 2018.

- 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:

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.]

Not applicable.

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

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 that 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).

Not applicable.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018**

Schedule A

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:

Not applicable. The Agency does not have any travel or 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).

Not applicable.

- 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.

- 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.

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

Not applicable.

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.

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.

Of the 5 contracts selected for our procedures, none were subject to Louisiana Public Bid Law.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

- 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 that the original contract terms provided for such an amendment.

No exceptions noted.

- 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.

We randomly selected 1 payment for the 5 contracts selected in procedure #15 and performed the specified procedures. No exceptions noted.

Payroll and Personnel

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.

Not applicable. Salaries are not paid through the Agency. All salaries are paid by the Policy 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.

- 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.

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

Not applicable.

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

Not applicable.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

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

Not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Not applicable.

Ethics

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 #16. However, the executive director and chief financial officer do obtain ethics training required for their individual certifications.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No ethics violations reported. No exceptions noted.

Debt Service

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.

Not applicable.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED RESULTS
DECEMBER 31, 2018

Schedule A

Other

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.

Per management, the Agency did not have any misappropriation of public funds and assets.

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 exceptions noted.

PARISH GOVERNMENT RISK MANAGEMENT AGENCY
707 NORTH 7TH STREET, BATON ROUGE, LA 70802-5327
PHONE (225) 343-2835 FAX (225) 336-1344

6/25/2019

Louisianan Legislative Auditor
1600 N 3rd St.
Baton Rouge, LA 70802

Re: Responses to Statewide Agreed-Upon Procedures 2018

Dear LA Legislative Auditor:

The following are responses to the 2018 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, and Ethics.

6. Collections, covered by bond

Jane Lambert, the person responsible for cash collections, is bonded under our policy. Candace Williams and Melanie Barnett also have access to cash and will be added to our bond policy in 2019.

9d) Non-payroll Disbursements, mailing payments

PGRMA is a small entity with two accounting personnel. The person responsible for processing payments, Melanie Barnett, is also responsible for mailing these payments. PGRMA feels that it has compensating controls in place to address this issue. After the checks are signed they are returned to the CFO. The CFO reviews all payments and documents beginning and ending check numbers. After this process is complete, then the checks are returned to Melanie for mailing.

Sincerely,

PARISH GOVERNMENT RISK MANAGEMENT AGENCY



Candace H. Williams
Chief Financial Officer