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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Parish Government Risk Management Agency - Workers' Compensation Fund (a quasi-public organization) (the Fund) which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### 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 opinions.

### 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, 2017 and 2016, 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 25, 2018, 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 25, 2018

**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, 2017 and 2016. 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, 2017 by \$3,555,049 compared to \$4,117,089 as of December 31, 2016, which is a 13.7% decrease from the previous year.
- At December 31, 2017, the Fund's assets totaled \$11,777,642 which consisted primarily of direct and indirect investments in U.S. Government debt obligations, premiums and reinsurance receivables. At December 31, 2016, the Fund's assets totaled \$12,024,305 and were comprised of similar types of assets.
- The Fund reported earned premiums of \$4,291,764 and \$4,418,450 during the years ended December 31, 2017 and 2016, respectively, and a decrease in net position of \$562,040 for the year ending December 31, 2017 and an increase of \$348,759 during the year ended December 31, 2016.
- At the end of the current fiscal year, the Fund's net position totaled \$3,555,049 or approximately 71% 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, 2017</u>	<u>December 31, 2016</u>
Total assets	\$ 11,777,642	\$ 12,024,305
Deferred outflows	-	-
Total liabilities	8,222,593	7,907,216
Deferred inflows	<u>-</u>	<u>-</u>
Net position	<u>\$ 3,555,049</u>	<u>\$ 4,117,089</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 2.1% from the prior year. Assets consisted primarily of U.S. Government investments and securities, premiums and reinsurance receivables. Total liabilities increased approximately 4.0% primarily due to timing of payments made to affiliates. Net position decreased approximately 13.7% 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>2017</u>	<u>2016</u>
Operating revenues	\$ 4,291,764	\$ 4,418,450
Operating expenses	<u>5,011,887</u>	<u>4,171,499</u>
Operating income (loss)	(720,123)	246,951
Non-operating income	<u>158,083</u>	<u>101,808</u>
Change in net position	<u>\$ (562,040)</u>	<u>\$ 348,759</u>

Premium revenues decreased \$126,686 or 2.9% primarily due to decreases in membership. Investment income increased in the current year as a result of favorable changes in the estimated fair value of the investment portfolio. During the year ended December 31, 2017, the Fund reported premiums earned income of \$4,291,764 and non-operating investment income of \$158,083. During 2017, the Fund reported total expenses of \$5,011,887, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. Total expenses increased approximately \$840,000 or 20% compared to the prior year primarily as a result of increases in estimated losses incurred in the most recent accident year and less 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, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 343,638	\$ 1,536,517
Investments	10,615,705	9,514,622
Premiums receivable, net	259,421	284,294
Due from affiliates	13,531	14,512
Reinsurance and other receivables on paid losses	489,287	619,543
Accrued interest receivable	<u>56,060</u>	<u>54,817</u>
Total assets	<u>\$ 11,777,642</u>	<u>\$ 12,024,305</u>
Deferred outflows	-	-

**LIABILITIES AND NET POSITION**

Liabilities:		
Liability for losses and loss adjustment expenses	\$ 5,273,817	\$ 5,303,289
Insurance-related assessments payable	698,298	618,714
Due to affiliates	427,000	100,000
Unearned premiums	1,706,929	1,773,706
Accrued liabilities	<u>116,549</u>	<u>111,507</u>
Total liabilities	8,222,593	7,907,216
Deferred inflows	-	-
Net position	<u>3,555,049</u>	<u>4,117,089</u>
Total liabilities, deferred inflows, and net position	<u>\$ 11,777,642</u>	<u>\$ 12,024,305</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>OPERATING REVENUES</u></b>		
Premiums earned	\$ 4,291,764	\$ 4,418,450
Total revenues	<u>4,291,764</u>	<u>4,418,450</u>
<b><u>OPERATING EXPENSES</u></b>		
Losses and loss adjustment expenses	2,580,025	1,901,563
Service agent fees	742,992	741,984
Administrative expenses	702,739	703,734
Excess insurance premiums	788,458	750,256
Insurance-related assessments	197,673	73,962
Total expenses	<u>5,011,887</u>	<u>4,171,499</u>
<b><u>OPERATING INCOME (LOSS)</u></b>	(720,123)	246,951
<b><u>NON-OPERATING INCOME</u></b>		
Net investment income	158,083	101,808
	<u>158,083</u>	<u>101,808</u>
<b><u>CHANGE IN NET POSITION</u></b>	(562,040)	348,759
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<u>4,117,089</u>	<u>3,768,330</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ 3,555,049</u>	<u>\$ 4,117,089</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, 2017 AND 2016**

	2017	2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ (720,123)	\$ 246,951
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	24,873	133,608
Reinsurance and other receivables on paid losses	130,256	(97,008)
Liability for losses and loss adjustment expenses	(29,472)	382,435
Unearned premiums	(66,777)	(31,336)
Insurance-related assessments payable	79,584	(114,232)
Accrued liabilities	5,042	(164,233)
Net cash provided by (used in) operating activities	(576,617)	356,185
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Net investment income received	280,054	313,298
Purchases of investments	(2,689,851)	(2,391,953)
Proceeds from sales and maturities of investments	1,465,554	2,537,515
Net cash provided by (used in) investing activities	(944,243)	458,860
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances to/from affiliates, net	327,981	99,978
Net cash provided by investing activities	327,981	99,978
Net change in cash and cash equivalents	(1,192,879)	915,023
Cash and cash equivalents at beginning of year	1,536,517	621,494
Cash and cash equivalents at end of year	\$ 343,638	\$ 1,536,517

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, 2017 and 2016, 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 life 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)

(i) *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 2017 and 2016, the Fund incurred management fee expenses to PJA in the amount of \$427,000 and \$424,000, respectively. At December 31, 2017 and 2016, \$227,000 and \$100,000 of these advances were owed to PJA, respectively. Additionally, at December 31, 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, 2017 and 2016:

	2017	2016
Liability for unpaid losses at beginning of year (gross)	\$ 6,984,591	\$ 7,778,471
Less: excess insurance recoverable	1,681,302	2,857,617
Liability for unpaid losses at beginning of year (net)	5,303,289	4,920,854
Net incurred related to:		
Current year	2,565,281	2,232,327
Prior years	14,744	(330,764)
Total incurred	2,580,025	1,901,563
Net paid related to:		
Current year	478,695	413,257
Prior years	2,130,802	1,105,871
Total paid	2,609,497	1,519,128
Liability for unpaid losses at end of year (gross)	7,101,512	6,984,591
Less: excess insurance recoverable	1,827,695	1,681,302
Liability for unpaid losses at end of year (net)	\$ 5,273,817	\$ 5,303,289

In addition to the unpaid claims covered by the excess insurers, there are \$489,287 and \$619,543, respectively, of paid claims which are considered receivable from excess carriers at December 31, 2017 and 2016, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

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

During 2017, the Fund experienced slightly unfavorable development on unpaid claims liabilities established in prior years while in 2016 the Fund experienced favorable 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, 2017 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2017 will not vary from the above estimates, and such differences could be significant.

The Fund's claims liabilities have been discounted at December 31, 2017 and 2016 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 \$313,000 and \$282,000 at December 31, 2017 and 2016, respectively.

The Fund has approximately \$1,828,000 and \$1,681,000 in specific excess recoverables at December 31, 2017 and 2016, respectively, due to projected claims in excess of the specific retentions.

**4. DEPOSITS AND INVESTMENTS**

PGRMA 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, 2017 and 2016.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

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

The Fund is required by Governmental Accounting Standards Board (GASB) 72, *Fair Value Measurement and Application*, to categorize its fair value measurements within the fair value hierarchy 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 implementation of this new statement did not change the method of measuring the Board’s investments at estimated fair value as required by GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and consisted of the following at December 31, 2017 and 2016:

**December 31, 2017:**

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Agency	\$ 7,364,254	\$ -	\$ 7,364,254
U.S. Government mortgage backed securities	-	3,251,451	3,251,451
	<u>\$ 7,364,254</u>	<u>\$ 3,251,451</u>	<u>\$ 10,615,705</u>

**December 31, 2016:**

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Agency	\$ 6,706,821	\$ -	\$ 6,706,821
U.S. Government mortgage backed securities	-	2,807,801	2,807,801
	<u>\$ 6,706,821</u>	<u>\$ 2,807,801</u>	<u>\$ 9,514,622</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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

Statement Number 40 of the Governmental Accounting Standards Board, *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This following section describes the various types of investment risk and the Fund's exposure to each type.

At December 31, 2017, investments in debt securities with an estimated fair value of \$10,615,705 consisted of the following:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp; Poors Rating</u>	<u>Average Maturity (Years)</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 quality ratings.

(2) Comprised of \$3,552,176 of investments rated AA+ and \$1,608,539 of investments which did not require quality ratings.

(3) Comprised of \$285,538 of investments which did not require quality ratings.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

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

At December 31, 2016, investments in debt securities with an estimated fair value of \$9,514,622 consisted of the following:

	Amortized Cost/Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors Rating	Average Maturity (Years)
Federal Home Loan Bank	\$ 2,556,484	\$ 2,593,236	27.3%	AA+	4.35
Federal Home Loan Mortgage Corporation (FHLMC)	3,889,408	3,906,745	41.0%	(1)	7.80
Federal National Mortgage Association (FNMA)	2,758,249	2,700,875	28.4%	(2)	8.23
Other government debt obligations	308,258	313,766	3.3%	(3)	10.02
Total	<u>\$ 9,512,399</u>	<u>\$ 9,514,622</u>	<u>100.0%</u>		

(1) Comprised of \$1,938,064 of investments rated AA+ and \$1,968,681 of investments which did not require quality ratings.

(2) Comprised of \$1,974,935 of investments rated AA+ and \$725,940 of investments which did not require quality ratings.

(3) Comprised of \$313,766 of investments which did not require quality ratings.

At December 31, 2016, the Fund has cash equivalents totaling \$561,283 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, 2017. 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, 2017, 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, 2017, by contractual maturity, are shown below. In some instances, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ -	\$ -
Due after one year through five years	1,079,373	1,088,913
Due after five years through ten years	1,129,206	1,134,164
Due after ten years	64,359	66,230
	<u>2,272,938</u>	<u>2,289,307</u>
Mortgage backed securities	8,409,726	8,326,398
	<u>\$ 10,682,664</u>	<u>\$ 10,615,705</u>

Net investment income for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 243,805	\$ 261,788
Net realized gains (losses)	(16,541)	34,195
Unrealized losses		
arising during the year – net	(69,181)	(194,175)
	<u>\$ 158,083</u>	<u>\$ 101,808</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	6,363,648	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

\*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 25, 2018, 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, 2017**

**(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 2017 and as of the end of each of the last nine years.

	<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>	<u>2008</u>
	(in thousands)									
ENP and investment income	\$ 4,450	\$ 4,520	\$ 5,003	\$ 4,733	\$ 4,390	\$ 5,164	\$ 5,278	\$ 5,262	\$ 6,446	\$ 5,979
Operating costs, unallocated	2,432	2,270	2,486	2,252	2,223	2,135	2,392	2,397	2,413	2,289
Estimated incurred claims and expense, end of policy year	2,650	2,300	2,790	2,900	2,100	3,175	4,950	3,750	4,625	5,000
Paid (cumulative) as of:										
End of policy year	479	413	578	1,242	370	614	1,426	553	656	769
One year later	-	990	1,460	2,050	835	1,224	2,666	1,404	1,505	1,662
Two years later	-	-	2,016	2,208	1,219	1,631	3,300	1,958	2,117	2,107
Three years later	-	-	-	2,732	1,343	1,764	3,782	2,407	2,422	2,263
Four years later	-	-	-	-	1,312	1,816	4,128	2,459	2,786	2,451
Five years later	-	-	-	-	-	1,855	3,963	2,472	3,262	2,589
Six years later	-	-	-	-	-	-	3,963	2,285	3,381	2,750
Seven years later	-	-	-	-	-	-	-	2,547	3,499	2,800
Eight years later	-	-	-	-	-	-	-	-	3,799	2,934
Nine years later	-	-	-	-	-	-	-	-	-	2,937
Re-estimated incurred claims and claims expense:										
End of policy year	2,650	2,300	2,790	2,900	2,100	3,175	4,950	3,750	4,625	5,000
One year later	-	1,900	2,800	2,900	1,525	2,450	4,800	3,300	4,300	4,600
Two years later	-	-	3,475	3,200	1,650	2,275	4,750	2,750	3,550	4,100
Three years later	-	-	-	3,425	1,570	2,200	4,525	3,125	3,300	3,355
Four years later	-	-	-	-	1,521	2,185	4,500	2,975	3,500	3,100
Five years later	-	-	-	-	-	2,010	4,150	2,450	3,750	3,025
Six years later	-	-	-	-	-	-	3,869	2,350	3,735	3,000
Seven years later	-	-	-	-	-	-	-	2,078	3,715	2,965
Eight years later	-	-	-	-	-	-	-	-	3,999	2,937
Nine years later	-	-	-	-	-	-	-	-	-	2,934
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(400)	685	525	(579)	(1,165)	(1,081)	(1,672)	(626)	(2,066)

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, 2017**

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, 2017, 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 25, 2018.

**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 25, 2018

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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

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8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809  
225-922-4600 Phone – 225-922-4611 Fax – [pncpa.com](http://pncpa.com)

*A Professional Accounting Corporation*

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Parish Government Risk Management Agency – Group Health and Life Fund (a quasi-public organization) (the Fund) which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### **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 opinions.

### **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, 2017 and 2016, 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 25, 2018, 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.



Baton Rouge, Louisiana  
June 25, 2018

**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, 2017 and 2016. 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, 2017 and 2016 by \$3,973,640 and \$2,513,599, respectively.
- At December 31, 2017, the Fund’s assets totaled \$4,939,489 which consisted primarily of cash, investments and receivables, as compared to the Fund’s asset balance of \$4,015,545 at December 31, 2016, which consisted primarily of cash, investments, and receivables.
- The Fund reported premiums earned of \$14,360,614 and \$15,141,881 during the years ended December 31, 2017 and 2016, respectively.
- The Fund reported an increase in net position of \$1,460,041 and \$801,911, respectively, during the years ended December 31, 2017 and 2016.

**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, 2017</u>	<u>December 31, 2016</u>
Total assets	\$ 4,939,489	\$ 4,015,545
Deferred outflows	-	-
Total liabilities	(965,849)	(1,501,946)
Deferred inflows	<u>-</u>	<u>-</u>
Net position	<u>\$ 3,973,640</u>	<u>\$ 2,513,599</u>

At December 31, 2017 and 2016, the Fund’s assets represent approximately 511% and 267% of the Fund’s estimated liabilities, respectively. The Fund’s liabilities consist primarily of estimated claims payable.

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

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 14,452,947	\$ 15,237,664
Operating expenses	<u>(13,024,918)</u>	<u>(14,460,722)</u>
Operating income	1,428,029	776,942
Non-operating income	<u>32,012</u>	<u>24,969</u>
Change in net position	<u>\$ 1,460,041</u>	<u>\$ 801,911</u>

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

The Fund experienced an excess of revenues over expenses in the amount of \$1,460,041 for the current year resulting primarily from decreased claims costs. Decreased claims costs are a result of the loss of a member combined with more favorable expenses. See the Statements of Revenues, Expenses and Changes in Net Position on page 7 of this report. During the year ended December 31, 2017, the Fund reported premium income of \$14,360,614 which decreased from the prior year as a result of losing a member in 2017. In 2017, the Fund reported total expenses of \$13,024,918, which consisted primarily of claims expense, excess insurance, administrative, and other expenses. Claims expenses incurred represented approximately 78% and 83% of premium income during the years ended December 31, 2017 and 2016, respectively.

**Financial Outlook**

The Fund anticipates a decrease in revenue during the next fiscal year, due to the loss of three members in early 2018. Management emphasizes that the Fund’s expenses are greatly impacted by claims losses and claims related expenses which are influenced by factors beyond managements control such as rates, medical inflation and legislative changes.

**Requests for Information**

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

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

**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<b><u>ASSETS</u></b>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,912,005	\$ 839,206
Investments	2,344,243	2,268,446
Premiums receivable, net	433,465	729,774
Reinsurance receivable on paid losses	24,526	142,954
Due from affiliate	186,469	-
Other receivable	26,917	23,233
Accrued interest receivable	11,864	11,932
	<u>\$ 4,939,489</u>	<u>\$ 4,015,545</u>
 Total assets		
 Deferred outflows	 -	 -
 <b><u>LIABILITIES AND NET POSITION</u></b>		
Liabilities:		
Unpaid claims liability	\$ 935,421	\$ 1,435,750
Due to affiliate	-	64,512
Accounts payable and accrued expenses	30,428	1,684
	<u>965,849</u>	<u>1,501,946</u>
 Total liabilities		
 Deferred inflows	 -	 -
 Net position	 <u>3,973,640</u>	 <u>2,513,599</u>
 Total liabilities, deferred inflows, and net position	 <u>\$ 4,939,489</u>	 <u>\$ 4,015,545</u>

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

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b><u>OPERATING REVENUES</u></b>		
Premiums earned	\$ 14,360,614	\$ 15,141,881
Prescription program commissions and other income	81,956	95,783
Miscellaneous income	10,377	-
Total operating revenues	14,452,947	15,237,664
<b><u>OPERATING EXPENSES</u></b>		
Claims expense	11,213,468	12,614,536
Excess insurance and life insurance premiums	472,396	504,768
Affordable Care Act fees	3,352	43,772
Administrative and other expenses	1,335,702	1,297,646
Total operating expenses	13,024,918	14,460,722
<b><u>OPERATING INCOME</u></b>	1,428,029	776,942
<b><u>NON-OPERATING INCOME</u></b>		
Net investment income	32,012	24,969
	32,012	24,969
<b><u>CHANGE IN NET POSITION</u></b>	1,460,041	801,911
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	2,513,599	1,711,688
<b><u>NET POSITION - END OF YEAR</u></b>	\$ 3,973,640	\$ 2,513,599

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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating income	\$ 1,428,029	\$ 776,942
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	296,309	(141,840)
Reinsurance receivable on paid losses	118,428	(76,322)
Other receivable	(3,684)	9,716
Unpaid claims liability	(500,329)	(190,507)
Accounts payable and other accrued expenses	28,744	(44,666)
Net cash provided by operating activities	<u>1,367,497</u>	<u>333,323</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(361,242)	(450,490)
Proceeds from sale of investments	256,382	462,531
Investment income received	61,143	64,520
Net cash provided by (used in) investing activities	<u>(43,717)</u>	<u>76,561</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances from affiliates	(250,981)	50,022
Net cash provided by (used in) investing activities	<u>(250,981)</u>	<u>50,022</u>
Net change in cash and cash equivalents	1,072,799	459,906
Cash and cash equivalents at beginning of year	<u>839,206</u>	<u>379,300</u>
Cash and cash equivalents at end of year	<u>\$ 1,912,005</u>	<u>\$ 839,206</u>

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, 2017 and 2016, 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, 2016 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 to affiliate at December 31, 2017 and 2016 are as follows:

	2017	2016
Due from (to) Workers' Compensation Fund	\$ 186,469	(\$ 14,512)
Due to Police Jury Association	( - )	( 50,000 )
	\$ 186,469	(\$ 64,512)

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>2017</u>	<u>2016</u>
Unpaid claims liability at beginning of year	\$ 1,435,750	\$ 1,626,257
Plus: claims expenses incurred	11,213,468	12,614,536
Less: payments	<u>( 11,713,797)</u>	<u>( 12,805,043)</u>
Unpaid claims liability at end of year	<u>\$ 935,421</u>	<u>\$ 1,435,750</u>

For the years ended December 31, 2017 and 2016, claims expense incurred has been offset by specific reinsurance recoveries of \$454,500 and \$142,954, respectively.

**4. DEPOSITS AND INVESTMENTS**

PGRMA 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, 2017 and 2016.

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.

Beginning with the fiscal year ended December 31, 2016, the Board is required by GASB 72, *Fair Value Measurement and Application*, to begin categorizing its fair value measurements within the fair value hierarchy 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 implementation of this new statement did not change the method of measuring the Board's investments at estimated fair value as required by GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and consisted of the following at December 31, 2017 and 2016:

**December 31, 2017:**

	Level 1	Level 2	Fair Values
U.S. Government Agency	\$ 1,717,124	\$ -	\$ 1,717,124
U.S. Government mortgage backed securities	-	627,119	627,119
	<u>\$ 1,717,124</u>	<u>\$ 627,119</u>	<u>\$ 2,344,243</u>

**December 31, 2016:**

U.S. Government Agency	\$ 1,636,231	\$ -	\$ 1,636,231
U.S. Government mortgage backed securities	-	632,215	632,215
	<u>\$ 1,636,231</u>	<u>\$ 632,215</u>	<u>\$ 2,268,446</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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

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 following section describes the various types of investment risk and the Fund's exposure to each type.

At December 31, 2017, investments in debt securities with an estimated fair value of \$2,344,243 consisted of the following:

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp; Poors Rating</u>	<u>Average Maturity (Years)</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 quality ratings.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

At December 31, 2016, investments in debt securities with an estimated fair value of \$2,268,446 consisted of the following:

	Amortized Cost/Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors Rating	Average Maturity (Years)
Federal Home Loan Bank	\$ 877,940	\$ 871,308	38.41%	AA+	5.30
Federal Home Loan Mortgage Corporation (FHLMC)	798,571	800,626	35.30%	(1)	6.04
Federal National Mortgage Association (FNMA)	441,663	435,136	19.18%	(2)	5.48
Other government debt obligations	<u>156,077</u>	<u>161,376</u>	<u>7.11%</u>	(3)	13.60
Total	<u>\$ 2,274,251</u>	<u>\$ 2,268,446</u>	<u>100.0%</u>		

(1) Comprised of \$426,241 of investments rated AA+ and \$374,385 of investments which did not require quality ratings.

(2) Comprised of \$280,441 of investments rated AA+ and \$154,695 of investments which did not require quality ratings.

(3) Comprised of \$58,242 of investments rated AA+ and \$103,134 of investments which did not require quality ratings.

***Custodial Credit Risk***

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, 2017, 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.

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

**NOTES TO FINANCIAL STATEMENTS**

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

*Interest Rate Risk*

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

The amortized cost and estimated fair value of investment securities as of December 31, 2017, by contractual maturity, are shown below. In some instances, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 96,069	\$ 96,274
Due after one year through five years	462,268	461,257
Due after five years through ten years	330,852	324,636
Due after ten years	71,465	73,701
	960,654	955,868
Mortgage-backed securities	1,401,575	1,388,375
	\$ 2,362,229	\$ 2,344,243

Net investment income for the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
Interest income	\$ 48,180	\$ 49,303
Net realized losses	( 3,921)	( 5,091)
Unrealized gains (losses) arising during the year-net	( 12,247)	( 19,243)
	\$ 32,012	\$ 24,969

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

**NOTES TO FINANCIAL STATEMENTS**

**5. EXCESS INSURANCE POLICY COVERAGE**

During the year ended December 31, 2017, aggregate and specific excess insurance coverage was provided as follows:

Aggregate:

- a. Retention by the Group Health and Life Fund: \$17,376,361
- 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, 2017 and 2016 to a life insurance company. These premiums, which approximated \$31,000 and \$36,000 for the years ended December 31, 2017 and 2016 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.

**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, 2017, the Fund made claim payments to two providers representing approximately 35% of total claims paid. During the year ended December 31, 2016, the Fund made claim payments to one provider representing approximately 21% of total claims paid.

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. During the year ended December 31, 2016, the Fund had five member groups that represented more than 10% of total premiums received on an individual basis. For the year ended December 31, 2016, these member groups represented approximately 83% of total premiums and 86% 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 25, 2018, 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, 2017**

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, 2017, 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 25, 2018.

**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 25, 2018

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**PARISH GOVERNMENT RISK MANAGEMENT AGENCY**

**LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE**  
**AGREED-UPON PROCEDURES REPORT**

**YEAR ENDED DECEMBER 31, 2017**

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**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the Parish Government Risk Management Agency and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. 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 25, 2018

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
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*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, 2017.*

***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

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

*Not applicable, see above.*

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

*Exception, see above.*

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

*Exception, see above.*

- d) ***Receipts***, including receiving, recording, and preparing deposits

*Exception, see above.*

- 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.*

PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS  
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- 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, and (5) monitoring card usage.

*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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Not applicable, see above.*

**Board (or Finance Committee, if applicable)**

---

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*No exceptions noted.*

- b) Report whether the minutes referenced are including monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions noted.*

PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*A listing of bank accounts was provided and included two bank accounts.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

*From the listing provided, P&N obtained the bank reconciliations for each of the 12 months ended December 31, 2017, resulting in 24 bank reconciliations obtained and subjected to the procedures below.*

- a) Bank reconciliations have been prepared;

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*None of the bank reconciliations tested included documentation of review by a member of management or a board member.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*A total of 22 bank reconciliations included reconciling items outstanding for more than 6 months. There was no documentation of management's research of these reconciling items.*

***Collections***

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*(1) The employee responsible for collecting cash is not bonded.*

*(2) No exception noted*

*(3) Not applicable*

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*The Agency does not have written formal policies or processes. However, P&N did walk through the process and internal controls in place noting the person who is responsible for the cash collections is not reconciling the collections to the general ledger.*

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

*Using the collection data, P&N determined the highest collection week during the year ended December 31, 2017, for the collection location and performed the procedures noted below.*

➤ Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

➤ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, etc.) by a person who is not responsible for collections.

*The Agency does not have written documentation that identifies a process to determine the completeness of collections received.*

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***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

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8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management’s representation that the listing or general ledger population is complete.

*The listing of general ledger activity for all disbursements during the fiscal period was provided.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

*We randomly selected 25 disbursements and performed the procedures below.*

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*A formal requisition/purchase order system is not used. Claims disbursements are initiated by the third party vendor, approved by management and/or the Board and then processed by the third party administrative personnel. Non-claims disbursements are supported by invoices and are initiated and processed by the Agency’s personnel and are approved by management.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*Purchase orders are not used. Invoices are approved by someone other than the person initiating.*

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*No exceptions noted.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity’s purchasing/disbursement system.

*The Agency’s personnel responsible for processing/preparing payments also has access to set up new vendors. Exception noted.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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*The three of the four persons with signature authority are not responsible for initiating or recording transactions. For an eight-month period during the year one of the persons with signing authority also had the ability to initiate transactions during 2017. Exception noted.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*Unused check stock for non-claims disbursements is kept in a secure/locked location. The Agency's personnel with access to unused check stock does not have access to a signature stamp. The unused check stock for claims disbursements is kept at the third party vendor and access is restricted to a person who does not have signature authority. The checks are electronically printed on the blank stock, by the third party vendor, with their signature. There is separation of duties between the person who prints the checks and the person with signature authority at the third party vendor. Any checks over \$25,000, both non-claim and claims disbursements, require a second signature.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*No exceptions noted.*

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

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

*The Agency had one debit card and one gas card open as of December 31, 2017. The executive director of the Agency had possession of the cards.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and perform the procedures below.

*Per review of the Agency's records, there were no charges incurred for either card in 2017. Because there was no activity during the year, the client did not provide statements.*

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*Not applicable.*

PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*Not applicable.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 3 cards selected (i.e. each of the 3 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*Not applicable.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*Not applicable.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*Not applicable.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*Not applicable.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Not applicable.*

***Travel and Expense Reimbursement***

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*Not applicable. The Agency does not have any travel and related expense reimbursements.*

**PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*Not applicable.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*Not applicable.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased.

*Not applicable.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*Not applicable.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*Not applicable.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Not applicable.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Not applicable.*

PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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***Contracts***

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*A listing of contract payments for all contracts in effect during the fiscal period was provided.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*Of the 5 vendors selected, two do not have formal/written contracts with the Agency.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*Not applicable.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*None of the 5 contracts selected for testing were subject to bid law. There was no documentation whether the Agency solicited quotes as a best practice.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*One of the five contracts was amended in the current year in accordance with the original contract terms. The amended contracts for one vendor resulted in an increase of approximately \$2,100 paid in fees.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

PARISH GOVERNMENT RISK MANAGEMENT AGENCY  
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- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions noted.*

***Payroll and Personnel***

---

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*Not applicable. Salaries are not paid through the Agency. All salaries are paid by the Police Jury Association.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*Not applicable.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*Not applicable.*

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Not applicable.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*Not applicable.*

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24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*Not applicable.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*Not applicable.*

***Ethics (excluding nonprofits)***

---

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*No employees based on #22. However, the executive director and the chief financial officer do obtain ethics training required for their individual certifications.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*No ethics violations reported. No exceptions noted.*

***Debt Service***

---

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*Not applicable.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*Not applicable.*

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30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable.*

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation 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 misappropriations of public funds or assets.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The notice was not posted on the Agency's website or on the premises during 2017.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*Not applicable.*

# **PARISH GOVERNMENT RISK MANAGEMENT AGENCY**

**707 NORTH 7<sup>TH</sup> STREET, BATON ROUGE, LA 70802-5327**

**PHONE (225) 343-2835 FAX (225) 336-1344**

6/26/2018

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

Re: Responses to Statewide Agreed-Upon Procedures 2017

Dear LA Legislative Auditor:

The following are responses to the 2017 PGRMA Audit findings which were conducted by our auditors, Postlethwaite & Netterville, APAC:

1. Written Policies and Procedures

PGRMA has well establish policies and procedures in place. We are working on getting these policies and procedures documented in a formal written format for Purchasing, Disbursements, Receipts, Contracts, and Ethics.

4. Bank Reconciliations

Item b: Roland Dartez, Executive Director started reviewing and signing PGRMA bank reconciliations as of May 2018 and will continue to do so each month.

Item c: Due to the nature of these claims payments and the time it takes for them to clear, all outstanding items are reviewed by the CFO and CCMSI, third party administrator, at the end of each year.

6. Collections, location testing

Item a (1): PGRMA was under the assumption that Jane Lambert, the person responsible for cash collections was bonded under our policy. This has been corrected and Jane has been added to the bonded employee listing in 2018.

Item b: PGRMA has policies and procedures in place for collections. We are working on documenting policies and procedures in a formal written format.

7. Collections, documentation of completeness

PGRMA has policies and procedures in place for determining completeness of collections received. We are working on documenting these policies and procedures in a formal written format.

10. Disbursements, adding vendors

The person responsible for processing payments will have vendor set up rights removed in our accounting system in 2018. The CFO will set up new vendors for PGRMA.

11. Disbursements, signatory authority

A check log is maintained and approved by the CFO for each check written. This prevents any check from being released without proper approval. During 2018, the person responsible for processing payments will be removed from authorized signer listing.

21. Contracts

Item a): The two vendors that do not have formal/written contracts are insurance agent commission payments. It is not a standard policy for agent commissions to have a formal contract in place.

32. Other, notice required by R.S. 24:523.1

The notice was posted on PGRMA premises in two locations during 2018. The notice was also put on the company's website in 2018.

Sincerely,

PARISH GOVERNMENT RISK MANAGEMENT AGENCY



Candace H. Williams  
Chief Financial Officer