

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY
FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED OCTOBER 1, 2018

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3-4
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-11
SUPPLEMENTAL INFORMATION	
SCHEDULE OF TEN YEAR CLAIMS DEVELOPMENT INFORMATION	13-14
SCHEDULE OF CHANGES IN CLAIM LIABILITIES BY LINE OF COVERAGE	15
SCHEDULE OF NET ASSETS (MEMBERS' SURPLUS)	16-18
OTHER INFORMATION	
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER	20
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21-22
SCHEDULE OF FINDINGS AND RESPONSES	23



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

January 11, 2019

The Board of Trustees
Louisiana Public School Risk Management Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Louisiana Public School Risk Management Agency (LARMA) as of and for the year ended October 1, 2018, and the related notes to the financial statements, which collectively comprise LARMA's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from LARMA's October 1, 2017 financial statements and in our report dated February 22, 2018 expressed an unqualified opinion on those 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of LARMA, as of October 1, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally acted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2019, on our consideration of LARMA'S internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LARMA's internal control over financial reporting and compliance.



LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Statement of Financial Position

October 1, 2018

With comparative totals as of October 1, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 8,809,146	\$ 8,833,077
Other receivables	1,762,784	1,272,225
Prepaid fees	<u>7,500</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 10,579,430</u>	<u>\$ 10,105,302</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Reserves for unpaid claims and allocated adjustment expenses	\$ 4,521,841	\$ 3,985,923
Accounts payable and accrued expenses	<u>27,250</u>	<u>47,320</u>
Total Liabilities	4,549,091	4,033,243
Net Assets	<u>6,030,339</u>	<u>6,072,059</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,579,430</u>	<u>\$ 10,105,302</u>

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

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Statement of Activities

Year ended October 1, 2018

With comparative totals for the year ended October 1, 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Premiums written and earned	\$ 4,848,038	\$ 5,155,279
Less: Reinsurance Premiums	<u>(1,489,744)</u>	<u>(1,817,302)</u>
Total revenues	<u>3,358,294</u>	<u>3,337,977</u>
Expenses:		
Claims:		
Claims paid and adjustment expenses-net	1,329,650	1,461,511
Changes in reserves for unpaid claims and allocated adjustment expenses-net	<u>535,918</u>	<u>43,464</u>
Claims incurred-net	<u>1,865,568</u>	<u>1,504,975</u>
Supporting Services:		
Management fees	327,955	328,688
Agent commissions	562,768	618,692
Consulting and professional fees	31,500	21,480
Contract Labor	30,000	60,000
Insurance	66,717	-
Safety/Training Grants	528,149	460,674
Other	<u>20,531</u>	<u>20,126</u>
Total supporting services	<u>1,567,620</u>	<u>1,509,660</u>
Total Expenses	<u>3,433,188</u>	<u>3,014,635</u>
Operating income (loss)	(74,894)	323,342
Other income:		
Interest income	<u>33,174</u>	<u>17,188</u>
Increase (decrease) in Net Assets	(41,720)	340,530
Net Assets, beginning	<u>6,072,059</u>	<u>5,731,529</u>
Net Assets, ending	<u>\$ 6,030,339</u>	<u>\$ 6,072,059</u>

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

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Statement of Cash Flows

Year ended October 1, 2018

With comparative totals for the year ended October 1, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Operating income (loss)	\$ (74,894)	\$ 323,342
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Changes in operating assets and liabilities:		
Other receivable	(490,559)	214,058
Prepaid fees	(7,500)	-
Reserves for unpaid claims and allocated adjustment expenses	535,918	43,464
Accounts payable and accrued expenses	<u>(20,070)</u>	<u>45,794</u>
	(57,105)	626,658
Cash Flows From Investing Activities:		
Interest income	<u>33,174</u>	<u>17,188</u>
Net Increase (decrease) in Cash and Cash Equivalents	(23,931)	643,846
Cash and Cash Equivalents, beginning	<u>8,833,077</u>	<u>8,189,231</u>
Cash and Cash Equivalents, ending	<u>\$ 8,809,146</u>	<u>\$ 8,833,077</u>

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

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Notes to Financial Statements

October 1, 2018

NOTE A – ORGANIZATION

The Louisiana Public School Risk Management Agency (LARMA), a public entity risk pool, was created effective September 17, 2003 under the provisions of the Louisiana Inter-Local Risk Management Agency Statutes (LRS 33:1341 et al). The purpose of LARMA is to provide member school districts insurance coverage. The by-laws of LARMA, as supplemented by the Interlocal Agreement, set forth the various procedures, which are to be followed in the organization, administration and operation of LARMA.

LARMA provides coverage for general liability, automobile liability and physical damage, and errors and omissions. Members' deductibles are set for each line of coverage based on a case by case determination. LARMA uses reinsurance agreements to reduce its exposure to large losses on these types of coverages.

A summary of the risk amounts retained by LARMA, by line of coverage, is as follows:

<u>Line of Coverage</u>	<u>Retention</u>
General liability, automobile liability, auto physical damage and errors and omission	\$150,000 self-insured retention, \$850,000 per occurrence reinsurance, \$1,000,000 of aggregate stop loss reinsurance coverage after exhaustion of loss fund.

The responsibility for managing the affairs of LARMA rests with the Board of Trustees consisting of five to nine members elected by a majority vote at the annual meeting. Trustees are elected for terms of three years and may be re-elected to any number of successive terms.

Willis Pooling serves as the administrator for LARMA. The administrator's responsibilities include, but are not limited to, underwriting, policy issuance, policy holders' services and claims management services. In addition, the administrator oversees and manages the claim services and uses professional adjustment firms in Louisiana for field services.

At October 1, 2018, twenty-nine Louisiana school districts were members in LARMA.

LARMA members are subject to supplemental assessments in the event of deficiencies. If the assets of LARMA were to be exhausted, members would be responsible for LARMA liabilities. LARMA also may return surpluses to members.

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Notes to Financial Statements

October 1, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies is set forth below:

Cash and Cash Equivalents

For purposes of the statement of cash flows, LARMA considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Other Receivables

Other receivables represent advances made on claims that are reimbursable from members and are considered fully collectable.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Premiums Earned

Premiums are recognized on a monthly prorata basis over the term of the policy. Premiums applicable to the unexpired terms of the policies in force are reported as unearned at the balance sheet date.

Reserves for Unpaid Claims and Allocated Adjustment Expenses

LARMA establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. 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 liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. 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. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made.

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Notes to Financial Statements

October 1, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Excess Insurance

LARMA uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. This is commonly referred to as reinsurance ceded. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of LARMA as direct insurer of the risk reinsured. LARMA does not report reinsured risk as liabilities unless it is probable that those risks will not be covered by reinsurers.

Income Taxes

Income of LARMA is excludible from gross income under Section 115 of the Internal Revenue Code and is therefore not subjected to either federal or state income taxes.

Subsequent Events

Management has evaluated subsequent events through January 11, 2019, the date the financial statements were available to be issued.

Prior year Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the LARMA's financial statements for the period ended October 1, 2017, from which the summarized information was derived.

NOTE C - CASH AND CASH EQUIVALENTS

The bank balances of \$8,809,146 have been deposited in public depositories, which are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and the excess is secured by pledged securities held by the custodial bank in the name of the fiscal agent bank.

NOTE D – RESERVES FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES

As discussed in Note B, LARMA established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses and is net of any probable reinsurance coverage.

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Notes to Financial Statements

October 1, 2018

NOTE D – RESERVES FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES - CONTINUED

Management believes that the reserves for unpaid losses are adequate to cover the ultimate cost of reported and unreported claims. However, the ultimate cost may be more or less than the estimated liability. The reserves, which have been estimated by LARMA's independent actuary and LARMA claims organization, are as follows:

Case Reserves	\$ 3,384,986
Reserve for losses incurred but not reported	<u>1,136,855</u>
Total reserves for unpaid claims and claim adjustment expenses at October 1, 2018	<u>\$ 4,521,841</u>

The following represents changes in the reserves for unpaid claims and claim adjustment expenses for LARMA during the period:

Unpaid claims and claim adjustment expenses at October 1, 2017	<u>\$ 3,985,923</u>
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current year	974,521
Increase (Decrease)-net in provision for insured events of prior years	<u>891,047</u>
Total incurred claims and claim adjustment expenses	1,865,568
Less claim payments-net:	
Claims and claim adjustment expenses attributable to insured events of the current year	50,209
Claims and claim adjustment expenses attributable to insured events of prior years	<u>1,279,441</u>
Total payments-net	<u>1,329,650</u>
Total unpaid claims and claim adjustment expenses at October 1, 2018	<u>\$ 4,521,841</u>

NOTE E – MEMBER DISTRIBUTIONS

The board of trustees recommended at its July 9, 2018 meeting a ten percent distribution based upon member surplus. As of October 1, 2018, the member distribution amounted to \$528,149 through safety grants.

SUPPLEMENTAL INFORMATION

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Ten Year Claims Development Information

October 1, 2018

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Premium Revenue.			
Earned	\$ 4,853,537	\$ 5,284,178	\$ 5,061,154
Ceded	<u>(1,712,981)</u>	<u>(1,938,318)</u>	<u>(1,814,934)</u>
Net Earned	3,140,556	3,345,860	3,246,220
Investment Income	25,349	17,638	13,958
Administrative Expenses	977,531	1,050,378	1,018,469
Reserve for Unallocated Adjustment Expenses	-	-	-
Estimated Incurred Claims, End of Policy Year (or earliest year available)	1,528,237	1,798,704	1,531,422
Cumulative Paid Claims as of:			
End of Policy Year	386,588	416,277	392,688
One Year Later	381,977	548,636	609,889
Two Years Later	700,478	856,689	642,776
Three Years Later	737,659	1,272,530	906,202
Four Years Later	760,060	1,450,283	1,017,217
Five Years Later	910,854	1,503,144	1,045,802
Six Years Later	911,300	1,558,568	1,215,704
Seven Years Later	1,004,759	1,666,919	1,264,809
Eight Years Later	1,005,670	1,996,602	
Nine Years Later	1,005,670		
Cumulative Incurred Claims as of:			
End of Policy Year	1,528,237	1,798,704	1,531,422
One Year Later	1,064,422	1,946,804	1,463,465
Two Years Later	1,390,316	1,869,471	1,374,910
Three Years Later	1,073,614	1,879,803	1,306,423
Four Years Later	1,168,157	2,144,176	1,341,588
Five Years Later	1,133,852	2,056,626	1,324,084
Six Years Later	1,048,796	1,916,156	1,308,645
Seven Years Later	1,050,520	1,776,957	1,286,394
Eight Years Later	1,012,320	2,130,139	
Nine Years Later	1,012,320		
Increase(Decrease) in Cumulative Incurred Claims from End of Policy Year	(515,917)	331,435	(245,028)

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 4,647,892	\$ 4,696,762	\$ 5,102,276	\$ 4,990,616	\$ 5,059,676	\$ 5,155,279	\$ 4,848,039
<u>(1,681,510)</u>	<u>(1,730,721)</u>	<u>(1,905,023)</u>	<u>(1,844,213)</u>	<u>(1,852,742)</u>	<u>(1,817,302)</u>	<u>(1,489,744)</u>
2,966,382	2,966,038	3,197,253	3,146,403	3,206,934	3,337,977	3,358,294
11,152	11,269	5,539	2,612	12,915	17,188	33,174
938,610	993,234	1,085,277	1,431,349	1,495,899	1,509,660	1,567,620
-	-	-	-	-	-	-
1,416,899	1,246,098	1,060,281	990,745	892,974	928,489	974,521
380,064	344,947	423,226	421,343	468,773	555,609	344,543
644,500	557,357	546,098	488,435	633,714	653,460	
663,261	679,649	559,121	696,798	715,117		
939,839	894,857	603,094	871,226			
956,693	1,123,813	742,273				
978,718	1,191,022					
980,570						
1,416,899	1,246,098	1,060,281	990,745	892,974	957,489	974,521
1,266,039	958,545	834,005	832,450	884,753	973,050	
1,287,885	950,687	706,415	1,124,610	1,133,517		
1,443,235	1,069,300	712,098	1,024,667			
1,403,860	1,132,313	718,500				
1,262,011	1,206,553					
1,233,602						
(183,297)	(39,545)	(341,781)	33,922	240,543	44,561	-

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Changes in Claim Liabilities by Line of Coverage

Year ended October 1, 2018

Unpaid Claim Liabilities, October 1, 2017	<u>\$ 3,985,923</u>
Incurred Claims:	
Provision for Insured Events of Current Year	974,521
Increase (Decrease)-net in Provision for Insured Events of Prior Years	<u>891,047</u>
Increase in Incurred Claims-net:	1,865,568
Less Claim Payments-net:	
Payment-net on Claims for Insured Events of Current Year	50,209
Payments-net on Claims for Insured Events of Prior Years	<u>1,279,441</u>
Total Payments-net	<u>1,329,650</u>
Unpaid Claim Liabilities, October 1, 2018	<u>\$ 4,521,841</u>

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Net Assets (Members' Surplus)

Year ended October 1, 2018

	Year ended October 1, 2004	Year ended October 1, 2005	Year ended October 1, 2006	Year ended October 1, 2007	Year ended October 1, 2008	Year ended October 1, 2009	Year ended October 1, 2010
Earned premiums	\$ 1,792,387	\$ 5,251,727	\$ 4,213,572	\$ 4,921,613	\$ 5,177,726	\$ 4,853,537	\$ 5,284,178
Reinsurance premiums	(663,789)	(2,119,816)	(1,745,347)	(2,000,598)	(2,052,517)	(1,712,981)	(1,938,318)
Total Revenues	1,128,598	3,131,911	2,468,225	2,921,015	3,125,209	3,140,556	3,345,860
Claims paid by year of loss occurrence	(456,189)	(2,109,600)	(1,080,357)	(2,619,783)	(1,961,498)	(788,993)	(1,669,156)
Claim administrative fees (included in Claims Paid in years 2006 and 2007)	(36,201)	(171,989)	-	-	(257,753)	(216,678)	(327,446)
Supporting services expenses	(359,437)	(1,035,947)	(849,075)	(984,556)	(1,042,917)	(977,531)	(1,050,378)
Operating Income	276,771	(185,625)	538,793	(683,324)	(136,959)	1,157,354	298,880
Other Income:							
Grant income	-	-	-	-	-	-	-
Interest income	-	48,720	119,512	170,330	103,504	25,349	17,639
	276,771	(136,905)	658,305	(512,994)	(33,455)	1,182,703	316,519
Reserves for unpaid claims/ expenses	-	(7,151)	(10,542)	(4,076)	(7,543)	(6,650)	(133,539)
Net assets (members' surplus)	\$ 276,771	\$ (144,056)	\$ 647,763	\$ (517,070)	\$ (40,998)	\$ 1,176,053	\$ 182,980

GRACSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Continued

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Net Assets (Members' Surplus) - Continued

Year ended October 1, 2018

	Year ended October 1, 2011	Year ended October 1, 2012	Year ended October 1, 2013	Year ended October 1, 2014	Year ended October 1, 2015	Year ended October 1, 2016
Earned premiums	\$ 5,061,154	\$ 4,647,892	\$ 4,696,762	\$ 5,102,276	\$ 4,990,616	\$ 5,059,676
Reinsurance premiums	(1,814,934)	(1,681,510)	(1,730,724)	(1,905,023)	(1,844,213)	(1,852,742)
Total Revenues	3,246,220	2,966,382	2,966,038	3,197,253	3,146,403	3,206,934
Claims paid by year of loss occurrence	(964,372)	(687,319)	(897,323)	(416,392)	(544,613)	(387,376)
Claim administrative fees (included in Claim Paid in Years 2006 and 2007)	(300,000)	(293,700)	(293,700)	(325,881)	(326,614)	(327,700)
Supporting services expenses	(1,018,469)	(938,611)	(993,234)	(1,085,277)	(1,431,349)	(1,495,901)
Operating Income	963,379	1,046,752	781,781	1,369,703	843,827	995,957
Other Income						
Grant income	-	-	10,000	30,000	30,000	-
Interest Income	13,958	11,152	11,269	5,539	2,612	12,915
	977,337	1,057,904	803,050	1,405,242	876,439	1,008,872
Reserve for unpaid claims/ expenses	(21,585)	(253,020)	(366,614)	(399,454)	(603,774)	(903,615)
Net assets (member's surplus)	\$ 955,752	\$ 804,884	\$ 436,436	\$ 1,005,788	\$ 272,665	\$ 105,257

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Continued

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Net Assets (Members' Surplus) - Continued

Year ended October 1, 2018

	Year ended October 1, 2017	Year ended October 1, 2018	Year ended Total
Earned premiums	\$ 5,155,279	\$ 4,848,038	\$ 71,056,433
Reinsurance premiums	<u>(1,817,302)</u>	<u>(1,489,744)</u>	<u>(26,369,558)</u>
Total Revenues	\$ 3,337,977	3,358,294	44,686,875
Claims paid by year of loss occurrence	(319,119)	(15,494)	(14,917,584)
Claim administrative fees (included in Claim Paid in Years 2006 and 2007)	(334,660)	(327,688)	(3,540,010)
Supporting services expenses	<u>(1,509,660)</u>	<u>(1,567,620)</u>	<u>(16,339,962)</u>
Operating Income	1,174,538	1,447,492	9,889,319
Other Income			
Grant income	-	-	70,000
Interest Income	<u>17,188</u>	<u>33,174</u>	<u>592,861</u>
	1,191,726	1,480,666	10,552,180
Reserve for unpaid claims/ expenses	<u>(829,757)</u>	<u>(974,521)</u>	<u>(4,521,841)</u>
Net assets (member's surplus)	<u>\$ 361,969</u>	<u>\$ 506,145</u>	<u>\$ 6,030,339</u>

OTHER INFORMATION

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Compensation, Benefits and Other Payments
To Chief Executive Officer

Year ended October 1, 2018

Chief Executive Officer: Richard Wilkinson, Chairman

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursement	-
Travel	-
Conference travel	5,318
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-



Gragson, Casiday & Guillory, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
GRAHAM A. PORTUS, E.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BARLOW, C.P.A.
BRIAN MCCAIN, C.P.A.
BLAKE MANUEL, C.P.A.

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

January 11, 2019

The Board of Trustees
Louisiana Public School Risk Management Agency

We have audited, 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, the financial statements of the business type activities of Louisiana Public School Risk Management Agency (LARMA) as of and for the year ended October 1, 2018, and the related notes to the financial statements, which collectively comprise LARMA's basic financial statements and have issued our report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Public School Risk Management Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Public School Risk Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Public School Risk Management Agency'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 a 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Public School Risk Management Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Gragsen, Casiday & Guillory

LOUISIANA PUBLIC SCHOOL RISK MANAGEMENT AGENCY

Schedule of Findings and Responses

Year Ended October 1, 2018

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? yes no
- Control deficiencies(s) identified that are
not considered to be material weakness(es)? yes none reported

Noncompliance material to financial
statements noted? yes no

II - Financial Statement Findings

- None

III - Federal Award Findings and Questioned Costs

- N/A

IV - Prior Year Audit Findings

- None



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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

January 11, 2019

Board of Trustees
Louisiana Public School Risk Management Agency (LARMA)

We have performed the procedures included enumerated below, which were agreed to by LARMA 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 year October 2, 2017 through October 1, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations)
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The District's procedures manual does address budgeting.
 - 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.
The District's procedures manual does address purchasing.
 - c) *Disbursements*, including processing, reviewing, and approving.
The District's procedures manual does address disbursements.

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

The District's procedures manual does address receipts/collections.

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

The District does not have payroll/personnel.

- 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.

The District's procedures manual does address contracting.

- 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 (e.g., determining the reasonableness of fuel card purchases).

The District does not have credit/debit cards.

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

The District's procedures manual does address travel and expense reimbursements.

- 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.

The District does not have employees or elected officials.

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

The District does not have any debt service.

Board or Finance Committee

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

The minutes reflected that the board met quarterly in accordance with enabling legislation.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Monthly income statements with budgetary comparisons and variances were not provided to the board. However, interim six months and annual financials are presented and reviewed by the board and management.

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

The District did not have a negative fund balance in the general fund in the prior year.

Bank Reconciliations

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

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

Bank reconciliations were prepared within 2 months of the statement closing date.

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

Bank reconciliations did include evidence that a member of management/board member reviewed each reconciliation.

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

As of October 1, 2018, there appeared to be no outstanding items more than 12 months old.

Collections

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

There are no "cash" collection locations. All collections are received electronically via wire transfers.

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

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

The District does not collect cash and therefore, does not maintain a cash register or drawer.

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

The person responsible for collections is not responsible for preparing or making bank deposits.

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

The person responsible for collections is not responsible for posting collection entries to the general ledger or subsidiary ledger.

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

The person responsible for reconciling collections to the general ledger and/or subsidiary ledger is not responsible for collections.

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

All persons are covered by an insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supported documentation for each of the deposits and:

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

Not applicable.

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

All deposited items were supported by system reports.

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

Not applicable, all deposits are received electronically.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

All selected deposits were made within one business day of receipt.

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

All selected deposits were traced to the general ledger. No exceptions.

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

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

The listing was provided by management.

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

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

At least two individuals are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.

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

At least two individuals review and approve payments to vendors.

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

The person responsible for processing payments is prohibited from adding/modifying vendor files. Other individuals reviews changes to vendor files.

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

The individual who process payments does not have signing authority. Check signers do mail payments.

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

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

All transactions tested were paid by and matched the original invoice.

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

All transactions tested were authorized, approved and processed by different individuals.

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

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

Not applicable, the District does not maintain any debit/credit cards.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable, the District does not maintain any debit/credit cards.

- b) Observe that finance charges and/or late fees were assessed on the selected statements.

Not applicable, the District does not maintain any debit/credit cards.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Not applicable, the District does not maintain any debit/credit cards.

Travel and Travel-Related Expense Reimbursements (Excluding card transactions)

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

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

Travel reimbursements were calculated using the U.S. General Services Administration mileage reimbursement rate.

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

Travel reimbursements tested where supported by an original itemized receipt.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #11h).

Reimbursement was supported by documentation of the business/public purpose of the travel.

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

Reimbursements were reviewed and approved in writing by someone other than the person receiving the reimbursement.

Contracts

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

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

None of the contracts were required to be bid in accordance with the Louisiana Public Bid Law.

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

The board approves all contracts. Contracts were signed by the Board President.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No amendments or change orders to any agreements were noted.

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

All payments selected agreed to the terms and conditions of the contract.

Payroll and Personnel

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

Not applicable, the District does not employ employees.

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

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

Not applicable, the District does not employ employees.

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

Not applicable, the District does not employ employees.

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

Not applicable, the District does not employ employees.

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

Not applicable, the District does not employ employees.

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

Not applicable, the District does not employ employees.

Ethics

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

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

Not applicable, the District does not employ employees.

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

Not applicable, the District does not employ employees.

Debt Service

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

No debt was issued during the fiscal year.

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

There were no outstanding bonds/notes at October 1, 2018.

Other

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

Management informed us that the District did not have any misappropriation of public funds or assets during the fiscal year.

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

The District does not have the required notice posted in a conspicuous place upon its premises or its website.

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 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.

Dragson, Casabay & Sullivan