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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the business type activities of Parish Government Risk Management Agency - Workers' Compensation Fund (a quasi-public organization) (the Fund) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parish Government Risk Management Agency - Workers' Compensation Fund as of December 31, 2020 and 2019, 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 21 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 22, 2021, 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 22, 2021

**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, 2020 and 2019. 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, 2020 by \$3,546,156 compared to \$3,403,432 as of December 31, 2019, which is a 4.2% increase from the previous year.
- At December 31, 2020, the Fund's assets totaled \$11,449,858 which consisted primarily of direct and indirect investments in U.S. Government debt obligations, premiums and reinsurance receivables. At December 31, 2019, the Fund's assets totaled \$11,292,554 and were comprised of similar types of assets.
- The Fund reported earned premiums of \$3,402,770 and \$3,633,618 during the years ended December 31, 2020 and 2019, respectively, and an increase (decrease) in net position of \$142,724 and (\$134,753) for the years ending December 31, 2020 and 2019, respectively.
- At the end of the current fiscal year, the Fund's net position totaled \$3,546,156 or approximately 92.4% 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, 2020</u>	<u>December 31, 2019</u>
Total assets	\$ 11,449,858	\$ 11,292,554
Deferred outflows	-	-
Total liabilities	7,903,702	7,889,122
Deferred inflows	<u>-</u>	<u>-</u>
Net position	\$ <u>3,546,156</u>	\$ <u>3,403,432</u>

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased by approximately 1.4% from the prior year. Assets consisted primarily of U.S. Government investments and securities, premiums and reinsurance receivables. Total liabilities increased approximately 0.2%. Net position increased approximately 4.2% from the prior year resulting from current period gains.

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

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

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 3,402,770	\$ 3,633,618
Operating expenses	<u>3,839,098</u>	<u>4,284,098</u>
Operating loss	(436,328)	(650,480)
Non-operating income	<u>579,052</u>	<u>515,727</u>
Change in net position	<u>\$ 142,724</u>	<u>\$ (134,753)</u>

Premium revenues decreased \$230,848 or 6.8% primarily due to losses in membership and changes in covered payroll. 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, 2020, the Fund reported premiums earned income of \$3,402,770 and non-operating investment income of \$579,052. During 2020, the Fund reported total expenses of \$3,839,098, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. Total expenses decreased approximately \$445,000 or 10.4% compared to the prior year primarily as a result of decreases in insurance-related assessments offset by higher losses and loss adjustment expenses.

**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, 2020 AND 2019**

**ASSETS**

	2020	2019
Assets:		
Cash and cash equivalents	\$ 359,877	\$ 477,102
Investments	10,797,578	10,246,887
Premiums receivable, net	178,438	211,914
Due from affiliates	-	19,594
Reinsurance and other receivables on paid losses	64,985	286,414
Accrued interest receivable	48,980	50,643
Total assets	\$ 11,449,858	\$ 11,292,554
Deferred outflows	-	-

**LIABILITIES AND NET POSITION**

Liabilities:		
Liability for losses and loss adjustment expenses	\$ 4,583,385	\$ 5,133,018
Insurance-related assessments payable	542,042	561,972
Due to affiliates	179,482	161,500
Unearned premiums	2,244,407	1,937,756
Accrued liabilities	354,386	94,876
Total liabilities	7,903,702	7,889,122
Deferred inflows	-	-
Net position	3,546,156	3,403,432
Total liabilities, deferred inflows, and net position	\$ 11,449,858	\$ 11,292,554

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>OPERATING REVENUES</u></b>		
Premiums earned	\$ 3,402,770	\$ 3,633,618
Total revenues	<u>3,402,770</u>	<u>3,633,618</u>
 <b><u>OPERATING EXPENSES</u></b>		
Losses and loss adjustment expenses	1,652,216	2,216,585
Service agent fees	809,280	820,932
Administrative expenses	498,898	530,810
Excess insurance premiums	812,652	731,825
Insurance-related assessments	66,052	(16,054)
Total expenses	<u>3,839,098</u>	<u>4,284,098</u>
 <b><u>OPERATING LOSS</u></b>	(436,328)	(650,480)
 <b><u>NON-OPERATING INCOME</u></b>		
Net investment income	579,052	515,727
	<u>579,052</u>	<u>515,727</u>
 <b><u>CHANGE IN NET POSITION</u></b>	142,724	(134,753)
 <b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<u>3,403,432</u>	<u>3,538,185</u>
 <b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ 3,546,156</u>	<u>\$ 3,403,432</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, 2020 AND 2019**

	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (436,328)	\$ (650,480)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	33,476	54,527
Reinsurance and other receivables on paid losses	221,429	528,271
Liability for losses and loss adjustment expenses	(549,633)	674,301
Unearned premiums	306,651	123,848
Insurance-related assessments payable	(19,930)	(250,398)
Accrued liabilities	259,510	(165,352)
<b>Net cash (used in) provided by operating activities</b>	<b>(184,825)</b>	<b>314,717</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Net investment income received	248,524	263,593
Purchases of investments	(2,637,923)	(3,080,560)
Proceeds from sales and maturities of investments	2,419,423	2,760,435
<b>Net cash provided by (used in) investing activities</b>	<b>30,024</b>	<b>(56,532)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances to/from affiliates, net	37,576	(389,022)
<b>Net cash provided by (used in) investing activities</b>	<b>37,576</b>	<b>(389,022)</b>
Net change in cash and cash equivalents	(117,225)	(130,837)
Cash and cash equivalents at beginning of year	477,102	607,939
Cash and cash equivalents at end of year	<b>\$ 359,877</b>	<b>\$ 477,102</b>

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, 2020 and 2019, the Fund has no deferred inflows or outflows.

**(d) *Investments***

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**(i) *Income Taxes***

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

**2. RELATED PARTY TRANSACTIONS**

During 2020 and 2019, the Fund incurred management fee expenses to PJA in the amount of \$251,466 and \$261,500, respectively. At December 31, 2020 and 2019, \$0 and \$161,500 of these advances were owed to PJA, respectively. In addition to the Fund, PGRMA has established a Group Health and Life Fund to provide healthcare and life insurance benefits. At December 31, 2020 and 2019, the Fund has advances outstanding in the amount of \$179,482 and \$0, respectively, for the PGRMA Group Health and Life Fund.

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

The following represents activity in the Fund's liability for losses and loss adjustment expense for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Liability for unpaid losses at beginning of year (gross)	\$ 6,083,973	\$ 7,383,341
Less: excess insurance recoverable	<u>950,955</u>	<u>2,924,624</u>
Liability for unpaid losses at beginning of year (net)	<u>5,133,018</u>	<u>4,458,717</u>
Net incurred related to:		
Current year	1,694,543	2,404,882
Prior years	<u>( 42,327)</u>	<u>( 188,297)</u>
Total incurred	<u>1,652,216</u>	<u>2,216,585</u>
Net paid related to:		
Current year	336,759	519,489
Prior years	<u>1,865,090</u>	<u>1,022,795</u>
Total paid	<u>2,201,849</u>	<u>1,542,284</u>
Liability for unpaid losses at end of year (gross)	4,897,404	6,083,973
Less: excess insurance recoverable	<u>314,019</u>	<u>950,955</u>
Liability for unpaid losses at end of year (net)	<u>\$ 4,583,385</u>	<u>\$ 5,133,018</u>

In addition to the unpaid claims covered by the excess insurers, there are \$64,985 and 286,414, respectively, of paid claims which are considered receivable from excess carriers at December 31, 2020 and 2019, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

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

During 2020 and 2019, the Fund experienced favorable development on unpaid claims liabilities established in prior years. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2020 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2020 will not vary from the above estimates, and such differences could be significant.

The Fund's claims liabilities have been discounted at December 31, 2020 and 2019 based on the Fund's anticipated payout patterns and a discount rate assumption of 3.08% and 2.94%, respectively, which management expects to approximate the interest earnings over the payout period. The effect of discounting was approximately \$347,000 and \$342,000 at December 31, 2020 and 2019, respectively.

The Fund has approximately \$314,000 and \$951,000 in specific excess recoverables at December 31, 2020 and 2019, respectively, due to projected claims in excess of the specific retentions.

**4. DEPOSITS AND INVESTMENTS**

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2020 and 2019.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2019:

	<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) (5)</u>
Federal Home Loan Bank	\$ 2,546,783	\$ 2,591,009	25.3%	(1)	3.92
Federal Home Loan Mortgage Corporation (FHLMC)	1,574,026	1,593,664	15.6%	(2)	10.03
Federal National Mortgage Association (FNMA)	4,903,106	4,945,442	48.3%	(3)	7.81
Other government debt obligations	<u>1,125,812</u>	<u>1,116,772</u>	<u>10.9%</u>	(4)	6.85
Total	<u>\$ 10,149,727</u>	<u>\$ 10,246,887</u>	<u>100.0%</u>		

(1) Comprised of \$1,937,915 of investments rated AA+ and \$653,094 of investments which did not require credit quality ratings.

(2) Comprised of \$149,862 of investments rated AA+ and \$1,443,802 of investments which did not require credit quality ratings.

(3) Comprised of \$2,992,853 of investments rated AA+ and \$1,952,589 of investments which did not require credit quality ratings.

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

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

At December 31, 2019, the Fund has cash equivalents totaling \$119,687 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, 2020. The Fund's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

**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, 2020, 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	\$ 501,418	\$ 506,140
Due after one year through five years	1,083,836	1,134,465
Due after five years through ten years	1,984,468	2,141,348
Due after ten years	27,209	29,623
	<u>3,596,931</u>	<u>3,811,576</u>
Mortgage backed securities	6,712,373	6,986,002
	<u>\$ 10,309,304</u>	<u>\$ 10,797,578</u>

Net investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 211,552	\$ 240,092
Net realized losses	(23,614)	(329)
Unrealized gains		
arising during the year – net	391,114	275,964
	<u>\$ 579,052</u>	<u>\$ 515,727</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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

*Fair Value*

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

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

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

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

The fair value of investment securities was determined as follows at December 31, 2020 and 2019:

**December 31, 2020:**

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

**December 31, 2019:**

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Values</u>
U.S. Government Securities	\$ 6,797,434	\$ -	\$ 6,797,434
U.S. Government Securities	-	<u>3,449,453</u>	<u>3,449,453</u>
	<u>\$ 6,797,434</u>	<u>\$ 3,449,453</u>	<u>\$ 10,246,887</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**5. EXCESS INSURANCE POLICY COVERAGE**

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

**6. CONCENTRATION**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**7. CONTINGENCIES**

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Fund's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on customers, suppliers, and vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may directly or indirectly impact the Fund's financial position or results of operations cannot be reasonably estimated at this time.

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was June 22, 2021, and determined that there were no events that required disclosure. 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, 2020**  
**(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 2019 and as of the end of each of the last nine years.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in thousands)									
ENP and investment income	\$ 3,982	\$ 4,149	\$ 4,326	\$ 4,450	\$ 4,520	\$ 5,003	\$ 4,733	\$ 4,390	\$5,164	\$ 5,278
Operating costs, unallocated	2,187	2,068	2,426	2,432	2,270	2,486	2,252	2,223	2,135	2,392
Estimated incurred claims and expense, end of policy year	1,750	2,500	2,200	2,650	2,300	2,790	2,900	2,100	3,175	4,950
Paid (cumulative) as of:										
End of policy year	337	519	660	479	413	578	1,242	370	614	1,426
One year later	-	1,467	807	1,109	990	1,460	2,050	835	1,224	2,666
Two years later	-	-	948	1,460	1,210	2,016	2,208	1,219	1,631	3,300
Three years later	-	-	-	1,554	1,568	2,839	2,732	1,343	1,764	3,782
Four years later	-	-	-	-	1,924	3,334	3,008	1,312	1,816	4,128
Five years later	-	-	-	-	-	3,480	2,830	1,549	1,855	3,963
Six years later	-	-	-	-	-	-	2,931	1,497	1,766	3,963
Seven years later	-	-	-	-	-	-	-	1,409	1,765	3,918
Eight years later	-	-	-	-	-	-	-	-	1,789	3,905
Nine years later	-	-	-	-	-	-	-	-	-	3,856
Re-estimated incurred claims and claims expense:										
End of policy year	1,750	2,500	2,200	2,650	2,300	2,790	2,900	2,100	3,175	4,950
One year later	-	2,900	1,500	2,170	1,900	2,800	2,900	1,525	2,450	4,800
Two years later	-	-	1,500	2,200	1,980	3,475	3,200	1,650	2,275	4,750
Three years later	-	-	-	1,900	2,100	3,800	3,425	1,570	2,200	4,525
Four years later	-	-	-	-	1,950	4,250	3,188	1,521	2,185	4,500
Five years later	-	-	-	-	-	4,400	2,850	1,572	2,010	4,150
Six years later	-	-	-	-	-	-	2,900	1,550	1,866	3,869
Seven years later	-	-	-	-	-	-	-	1,400	1,800	3,757
Eight years later	-	-	-	-	-	-	-	-	1,850	3,910
Nine years later	-	-	-	-	-	-	-	-	-	3,850
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	400	(700)	(750)	(350)	1,610	-	(700)	(1,325)	(1,100)

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, 2020**

Agency Head Name: Guy Cormier

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, 2020, 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 22, 2021.

**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 22, 2021

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the business type activities of Parish Government Risk Management Agency – Group Health and Life Fund (a quasi-public organization) (the Fund) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise of the Fund's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parish Government Risk Management Agency – Group Health and Life Fund as of December 31, 2020 and 2019, 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 22, 2021, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 22, 2021

**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, 2020 and 2019. 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, 2020 and 2019 by \$6,977,817 and \$6,102,500, respectively.
- At December 31, 2020, the Fund’s assets totaled \$8,016,661 which consisted primarily of cash, investments and receivables, as compared to the Fund’s asset balance of \$6,740,006 at December 31, 2019, which consisted primarily of cash, investments, and receivables.
- The Fund reported premiums earned of \$9,047,693 and \$7,968,106 during the years ended December 31, 2020 and 2019, respectively.
- The Fund reported an increase in net position of \$875,317 and \$982,594, during the years ended December 31, 2020 and 2019, respectively,

**Overview of the Financial Statements**

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

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

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

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

**(UNAUDITED)**

**Financial Analysis of the Fund**

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

**Condensed Statements of Net Position**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total assets	\$ 8,016,661	\$ 6,740,006
Deferred outflows	-	-
Total liabilities	(1,038,844)	(637,506)
Deferred inflows	<u>-</u>	<u>-</u>
Net position	\$ <u>6,977,817</u>	\$ <u>6,102,500</u>

All of the Fund’s assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased by 18.9% from the prior year. Assets consisted primarily of cash, U.S. Government investments and securities. Total liabilities increased by 63.0%. Net position increased by 14.3% from the prior year as a result of current period net income. The Fund’s liabilities consist primarily of estimated claims payable which increased in 2020 due to increased claims levels as a result of increased membership.

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

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 9,107,404	\$ 8,021,626
Operating expenses	<u>(8,522,613)</u>	<u>(7,246,631)</u>
Operating income	584,791	774,995
Non-operating income	<u>290,526</u>	<u>207,599</u>
Change in net position	\$ <u>875,317</u>	\$ <u>982,594</u>

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

**(UNAUDITED)**

During the year ended December 31, 2020, the Fund reported premium income of \$9,047,693 which increased approximately \$1.1 million from the prior year as a result of the addition of one member in 2020. In 2020, the Fund reported total expenses of \$8,522,613, which consisted primarily of claims expense, excess insurance, administrative, and other expenses, which increased approximately \$1.3 million from the prior year. This increase in expenses is consistent with the increased revenue from the addition of one member. Claims expenses incurred represented approximately 78% and 73% of premium income during the years ended December 31, 2020 and 2019, respectively. The Fund experienced an excess of revenues over expenses in the amount of \$875,317 during 2020, which is a slight decrease from prior year, primarily due to increased claims expenses. Increased claims costs are a result of the addition of one member combined with related expense increases. See the Statements of Revenues, Expenses and Changes in Net Position on page 7 of this report.

**Financial Outlook**

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

**Requests for Information**

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

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

**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<b><u>ASSETS</u></b>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,815,840	\$ 1,691,852
Investments	5,966,893	4,859,073
Premiums receivable, net	12,625	149,265
Due from affiliates	179,482	-
Other receivable	16,289	18,463
Accrued interest receivable	<u>25,532</u>	<u>21,353</u>
Total assets	<u>\$ 8,016,661</u>	<u>\$ 6,740,006</u>
Deferred outflows	-	-
<b><u>LIABILITIES AND NET POSITION</u></b>		
Liabilities:		
Unpaid claims liability	\$ 973,028	\$ 570,475
Due to affiliates	-	32,094
Accounts payable and accrued expenses	<u>65,816</u>	<u>34,937</u>
Total liabilities	1,038,844	637,506
Deferred inflows	-	-
Net position	<u>6,977,817</u>	<u>6,102,500</u>
Total liabilities, deferred inflows, and net position	<u>\$ 8,016,661</u>	<u>\$ 6,740,006</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>OPERATING REVENUES</u></b>		
Premiums earned	\$ 9,047,693	\$ 7,968,106
Prescription program commissions and other income	54,143	48,684
Miscellaneous income	5,568	4,836
Total operating revenues	<u>9,107,404</u>	<u>8,021,626</u>
<b><u>OPERATING EXPENSES</u></b>		
Claims expense	7,046,053	5,850,107
Excess insurance and life insurance premiums	355,179	299,356
Affordable Care Act fees	1,757	1,367
Administrative and other expenses	1,119,624	1,095,801
Total operating expenses	<u>8,522,613</u>	<u>7,246,631</u>
<b><u>OPERATING INCOME</u></b>	584,791	774,995
<b><u>NON-OPERATING INCOME</u></b>		
Net investment income	290,526	207,599
	<u>290,526</u>	<u>207,599</u>
<b><u>CHANGE IN NET POSITION</u></b>	875,317	982,594
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<u>6,102,500</u>	<u>5,119,906</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ 6,977,817</u>	<u>\$ 6,102,500</u>

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

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

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating income	\$ 584,791	\$ 774,995
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Premiums receivable	136,641	20,596
Other receivable	2,174	(4,672)
Unpaid claims liability	402,553	243,995
Accounts payable and other accrued expenses	30,879	12,514
<b>Net cash provided by operating activities</b>	<b>1,157,038</b>	<b>1,047,428</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(2,396,436)	(2,160,418)
Proceeds from sale of investments	1,449,484	1,294,705
Investment income received	125,478	108,215
<b>Net cash used in investing activities</b>	<b>(821,474)</b>	<b>(757,498)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances (to) from affiliates, net	(211,576)	208,022
<b>Net cash (used in) provided by investing activities</b>	<b>(211,576)</b>	<b>208,022</b>
Net change in cash and cash equivalents	123,988	497,952
Cash and cash equivalents at beginning of year	1,691,852	1,193,900
Cash and cash equivalents at end of year	<b>\$ 1,815,840</b>	<b>\$ 1,691,852</b>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES**

*(a) Background and Financial Statement Presentation*

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

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

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

The 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, 2020 and 2019, 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, 2019 financial statements have been reclassified to conform with the current year's presentation.

**2. RELATED PARTY TRANSACTIONS**

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

During 2020 and 2019, the Fund incurred management fee expense to PJA in the amount of \$251,500 and \$261,500 respectively.

Amounts due to/from affiliates at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Due from (to) Workers' Compensation Fund	\$ 179,482	(\$ 19,594)
Due to Police Jury Association	<u>-</u>	<u>( 12,500)</u>
	\$ 179,482	(\$ 32,094)

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

	<u>2020</u>	<u>2019</u>
Unpaid claims liability at beginning of year	\$ 570,475	\$ 326,480
Plus: claims expenses incurred	7,046,053	5,850,107
Less: payments	<u>( 6,643,500)</u>	<u>( 5,606,112)</u>
Unpaid claims liability at end of year	<u>\$ 973,028</u>	<u>\$ 570,475</u>

**4. DEPOSITS AND INVESTMENTS**

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2020 and 2019.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

	<u>Amortized Cost/Cost</u>	<u>Estimated Fair Value</u>	<u>Percentage of Investments</u>	<u>Standard &amp; Poors Rating</u>	<u>Average Maturity (Years) (3)</u>
Federal Home Loan Bank	\$ 1,405,748	\$ 1,507,768	25.27%	AA+	4.98
Federal Home Loan Mortgage Corporation (FHLMC)	844,732	861,250	14.43%	No Rating	6.53
Federal National Mortgage Association (FNMA)	2,394,735	2,485,452	41.65%	(1)	7.34
Other government debt obligations	<u>1,060,919</u>	<u>1,112,423</u>	<u>18.64%</u>	(2)	5.90
Total	<u>\$ 5,706,134</u>	<u>\$ 5,966,893</u>	<u>100.0%</u>		

(1) Comprised of \$1,624,136 of investments rated AA+ and \$861,316 of investments which did not require credit quality ratings.

(2) Comprised of \$108,510 of investments rated AA+ and \$1,003,913 of investments which did not require credit quality ratings.

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

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2019:

	<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) (4)</u>
Federal Home Loan Bank	\$ 1,244,046	\$1,273,141	26.20%	(1)	5.19
Federal Home Loan Mortgage Corporation (FHLMC)	787,707	796,697	16.40%	(2)	5.44
Federal National Mortgage Association (FNMA)	1,835,197	1,856,253	38.20%	(3)	8.14
Other government debt obligations	<u>923,273</u>	<u>932,982</u>	<u>19.20%</u>	(4)	5.43
Total	<u>\$4,790,223</u>	<u>\$ 4,859,073</u>	<u>100.0%</u>		

(1) Comprised of \$1,222,903 of investments rated AA+ and \$50,238 of investments which did not require credit quality ratings.

(2) Comprised of \$229,917 of investments rated AA+ and \$566,780 of investments which did not require credit quality ratings.

(3) Comprised of \$1,108,063 of investments rated AA+ and \$748,190 of investments which did not require credit quality ratings.

(4) Comprised of \$99,552 of investments rated AA+ and \$833,430 of investments which did not require credit quality ratings.

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

*Custodial Credit Risk*

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

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

*Credit Risk*

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

*Concentration of Credit Risk*

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

*Interest Rate Risk*

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

The amortized cost and estimated fair value of investment securities as of December 31, 2020, 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	\$ 250,886	\$ 252,986
Due after one year through five years	1,127,864	1,207,633
Due after five years through ten years	1,043,443	1,110,066
Due after ten years	44,474	49,506
	2,466,667	2,620,191
Mortgage-backed securities	3,239,467	3,346,702
	\$ 5,706,134	\$ 5,966,893

Net investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Interest income	\$ 113,001	\$ 109,895
Net realized losses	( 14,385)	( 6,055)
Unrealized gains arising during the year-net	191,910	103,759
	\$ 290,526	\$ 207,599

***Fair Value***

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

The fair value of investment securities was determined as follows at December 31, 2020 and 2019:

**December 31, 2020:**

	Level 1	Level 2	Fair Values
U.S. Government Securities	\$ 4,190,695	\$ -	\$ 4,190,695
U.S. Government Securities	-	1,776,198	1,776,198
	<u>\$ 4,190,695</u>	<u>\$ 1,776,198</u>	<u>\$ 5,966,893</u>

**December 31, 2019:**

U.S. Government Securities	\$ 3,477,995	\$ -	\$ 3,477,995
U.S. Government Securities	-	1,381,078	1,381,078
	<u>\$ 3,477,995</u>	<u>\$ 1,381,078</u>	<u>\$ 4,859,073</u>

**5. EXCESS INSURANCE POLICY COVERAGE**

During the year ended December 31, 2020, aggregate and specific excess insurance coverage was provided as follows:

Aggregate:

- a. Retention by the Group Health and Life Fund: \$9,968,063
- 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, 2020 and 2019 to a life insurance company. These premiums, which approximated \$27,000 for each of the years ended December 31, 2020 and 2019, are included in the Statements of Revenues, Expenses and Changes in Net Position.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**6. CONCENTRATIONS AND CONTINGENCIES**

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

During the year ended December 31, 2020, the Fund made claim payments to three providers representing approximately 43% of total claims paid. During the year ended December 31, 2019, the Fund made claim payments to two providers representing approximately 42% of total claims paid.

During the year ended December 31, 2020, the Fund had four member groups that represented more than 10% of total premiums received on an individual basis. For the year ended December 31, 2020, these member groups represented approximately 64% of total premiums and 100% of total premiums receivable. During the year ended December 31, 2019, 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, 2019, these member groups represented approximately 72% of total premiums and 100% of total premiums receivable.

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Fund's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on customers, suppliers, and vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may directly or indirectly impact the Fund's financial position or results of operations cannot be reasonably estimated at this time.

**7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was June 22, 2021, and determined that there were no events that required disclosure. 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, 2020**

Agency Head Name: Guy Cormier

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, 2020, 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 22, 2021.

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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and 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 22, 2021