

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF PROGRAM

The Louisiana Sheriff's Risk Management Program (the Program), and its related Articles of Association were created pursuant to the provisions of LA R.S. 33:1481-85 so that participating SHERIFFS could self-insure against public liability for their acts and the acts of their deputies, employees, agents and officers.

The day-to-day operation of the Program is controlled by the Board of Managers consisting of eight SHERIFFS elected by a majority vote of the SHERIFFS in each Congressional District. Managers are elected for staggered terms of four years and may be re-elected to any number of successive terms.

Mar/Tam Systems, Inc. serves as the Program's administrator. The duties of the administrator, in general, consist of development of the self-insurance fund, billing and collecting, securing excess or reinsurance coverage, reviewing claims and other services as directed by the Board of Managers.

The Louisiana Sheriff's Association provides bookkeeping support as well as other administrative duties for the Program.

The self-insured retention of the Program is \$100,000 per person and 1,000,000 per occurrence, with an annual aggregate of \$500,000. Excess coverage above the Program's retention has been purchased each year since the inception of the Program. Excess coverage is purchased through Meyers of London and other companies. In addition to the \$100,000/\$1,000,000 primary layer, the Program has assumed liability for a loss corridor. The loss corridor for the applicable policy years are as follows:

September 1, 1992	\$50,000
September 1, 1993	\$50,000
September 1, 1994	\$50,000
September 1, 1995	1,500,000
September 1, 1996	\$50,000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In 1996, the Program elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Program is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Program is required to present a statement of cash flows.

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 1998

(With Comparative Data for 1997)

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	4 3,223,371	4 3,791,124
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation	6,350	5,760
Change in operating assets and liabilities:		
Accrued interest receivable	(21,585)	153,328
Receivables from members	157,232	150,634
Claims reserve	(714,038)	1,840,157
Reserve for allocated loss adjustment expenses	157,000	141,500
Due from Louisiana Sheriff's Automobile Risk Program	65,000	(85,500)
Accounts payable and accrued liabilities	3,046	12,847
Net cash provided by operating activities	3,357,005	4,088,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments	11,889,448	14,771,285
NET DECREASE IN CASH AND CASH EQUIVALENTS	(831,443)	(683,072)
CASH AND CASH EQUIVALENTS:		
August 31, 1998	2,385,263	3,078,335
August 31, 1997	3,216,706	3,761,407

The accompanying notes are an integral part of these statements.

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Greg A. Kennedy, CPA (AIA)

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 1996

With Comparative Data for 1995

	<u>1995</u>	<u>1996</u>
REVENUE AND OTHER SUPPORT		
Membership premium contributions	\$ 8,758,759	\$ 10,973,900
Investment income	<u>663,323</u>	<u>816,838</u>
Total revenue and other support	<u>9,422,082</u>	<u>11,790,738</u>
EXPENSES		
Program expenses:		
Claims and claim expenses paid (on current losses)	873,810	773,383
Established claims reserves	4,322,416	5,262,118
Adjustment to prior years' claim reserves	(214,809)	(708,384)
Excess insurance premiums	589,000	927,013
Unallocated loss adjustment expense	<u>187,582</u>	<u>141,008</u>
Total program expenses	<u>5,438,689</u>	<u>6,891,178</u>
Supporting services:		
Administrators' fee	395,000	387,900
USA administration fee	125,000	151,894
Other general and administrative	<u>297,072</u>	<u>328,442</u>
Total supporting services	<u>817,072</u>	<u>868,236</u>
Total expenses	<u>6,255,761</u>	<u>7,759,414</u>
Change in net assets (deficit)	3,166,321	4,031,324
NET ASSETS (DEFICIT)		
August 31, 1995	<u>654,031</u>	<u>13,285,188</u>
August 31, 1996	<u>\$ 2,820,352</u>	<u>\$ 17,316,512</u>

The accompanying notes are an integral part of these statements.

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 1996

(With Comparative Data for 1995)

ASSETS	<u>1996</u>	<u>1995</u>
Investments	\$ 10,034,307	\$ 12,045,819
Cash and cash equivalents	1,793,820	2,288,260
Accrued interest receivable	184,843	153,048
Due from members for claims reimbursement	188,385	168,385
Membership contributions receivable	58,280	175,652
Due from LaShap	0	88,000
Furniture and fixtures, net	<u>12,215</u>	<u>18,055</u>
TOTAL ASSETS	\$ <u>18,213,210</u>	\$ <u>15,042,332</u>
 LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Claims reserves	\$ 14,728,158	\$ 14,842,157
Reserve for unallocated loss adjustment expenses	788,000	827,900
Accounts payable and accrued liabilities	<u>28,784</u>	<u>26,748</u>
TOTAL LIABILITIES	15,544,942	15,696,805
 NET ASSETS (DEFICIT)		
Unrestricted operating	<u>2,668,268</u>	<u>(654,473)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ <u>18,213,210</u>	\$ <u>15,042,332</u>

The accompanying notes are an integral part of these statements.

GREG A. KENNEDY

Certified Public Accountant
(A Professional Accounting Corporation)
INDEPENDENT AUDITORS REPORT

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Board of Managers
Louisiana Sheriff's Risk Management Program
Baton Rouge, Louisiana

I have audited the accompanying statement of financial position of Louisiana Sheriff's Risk Management Program as of August 31, 1996, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Program's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Sheriff's Risk Management Program as of August 31, 1996, and the changes in its net assets (deficit) and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated April 28, 1997, on my consideration of the Louisiana Sheriff's Risk Management Program's internal control structure and a report dated April 28, 1997, on its compliance with laws and regulations.

As discussed in Note 2 to the financial statements, in 1996 the Program changed its method of financial reporting and financial statement presentation.

Baton Rouge, Louisiana
April 28, 1997


CERTIFIED PUBLIC ACCOUNTANT
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**LOUISIANA SHERIFFS' RISK
MANAGEMENT PROGRAM**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES**

August 31, 1996

Under provisions of state law, this report is a public document. A copy of this report is being submitted to the public, as required, unless the office determines public release of this information is not in the best interests of the state. If you have any questions regarding this document, please contact the office of the parish clerk of court.

Release Date: **MAY 03 1997**

8.00% to 8.00 % and maturities from September, 2000 to May, 2004.	\$ 2,570,000	\$ 2,488,748
HELOC Pools, mortgage-backed securities with interest rates of 5.94% to 8.00% and maturities from March, 1999 to November, 2002.	5,505,418	5,362,886
FRB Notes, with interest rates of 5.25% to 5.62% and maturities from November, 2000 to February, 2001.	800,000	853,000
FRBC Debentures, with interest rates of 5.85% to 6.38% and maturities from February, 2001 to February, 2006.	850,000	789,095
FRBA Debentures, with interest rates of 6.20% to 7.60% and maturities from July, 2000 to April, 2004.	1,100,000	1,082,270
FRBA Medium Term Note, with interest rates of 4.50% to 7.20% and maturities from October, 1999 to September, 2005.	668,000	642,380
U.S. Treasury Notes, with interest rates of 5.25% to 7.28% and maturities from August, 1997 to May, 2005.	2,895,000	2,921,783
BALLET MME Notes, with interest rate at 2-month bill + 75, and maturities from February, 1997 to September, 1999.	680,000	680,598
CDMA Note, with an interest rate of 5.00%, maturing May, 2011.	50,000	50,948
FRB Medium Term Note, with an interest rate of 5.25%, maturing February, 1999.	<u>262,000</u>	<u>240,025</u>
Total debt securities	15,831,418	15,271,683

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Greg A. Kennedy, CPA (ARNC)

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM

Baton Rouge, Louisiana

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**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Greg A. Kennedy, CPA (ABMC)

Estimates

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

Investments

The Program accounts for its investments under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and all investments in debt securities. These investments are to be classified into the following categories:

- 1) Held-to-maturity securities reported at amortized cost;
- 2) Trading securities reported at fair value with unrealized gains and losses included in earnings; or
- 3) Securities available-for-sale reported at fair value with unrealized gains and losses reported as separate component of fund balance.

The Program's investments are classified and accounted for as held-to-maturity. Gains and losses on the unrealized sale of securities are determined using the specific identification method. Premiums and discounts are amortized into investment income using a level yield method.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Program considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Receivables

Management of the Program considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Member Assessments

Member assessments are collected monthly and recognized as revenue in the period for which insurance protection is provided. The monthly assessment is calculated based on members' payroll data.

Unpaid Claims Liabilities

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled. The length of time for which such costs must be estimated varies depending

in the coverage involved. Estimated amounts of savings and subrogation exceed insurable coverage 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 liabilities does not necessarily result in an exact amount, particularly for certain coverages. Claims liabilities are re-evaluated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect record settlements, claim 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 reflect 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.

Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at each year-end based upon cost estimates. The change in the liability each year is reflected in current earnings.

Excess Insurance

The Program purchases excess insurance only for individual members who elect to acquire the excess coverage to reduce their exposure to large losses. The purpose of excess insurance is to transfer a portion of the risk from the insured to the excess insurer. The Program does not report liabilities which are covered by excess insurance.

Income Taxes

No provision for income taxes has been made since the assets of the Program are considered public monies which are believed to be exempt from Federal and State income taxes. The Program has not requested nor has it received a letter of determination from the Internal Revenue Service advising it that it qualifies as a non-profit entity under Section 501 of the Internal Revenue Code.

NOTE 3: INVESTMENTS

Investments as of August 31, 1990 and 1989 are summarized as follows:

	<u>August 31, 1990</u>
	Approximate
American	Market
Cost	Value

State Securities

PMMA, PMAA, mortgage-backed securities with interest rates of

GREG A. KENNEDY

*Certified Public Accountant
of Professional Accounting Corporation*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Board of Managers
Louisiana Sheriff's Risk Management Program
Baton Rouge, Louisiana**

I have audited the financial statements of Louisiana Sheriff's Risk Management Program, as of August 31, 1996, and for the year then ended, and have issued my report thereon dated April 28, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana-Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to Louisiana Sheriff's Risk Management Program, is the responsibility of Louisiana Sheriff's Risk Management Program's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Louisiana Sheriff's Risk Management Program's compliance with certain provisions of laws, regulations, and contracts. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards except as described below:

REPORTABLE CONDITIONS: The audit report was due February 28, 1997 but not completed until April 28, 1997.

CAUSE: Greater time than anticipated was needed to reconcile the revenues and expenses and to review the actuarial report for the fiscal year ended August 31, 1996.

EFFECT: There is no material effect to these financial statements.

MANAGEMENT RESPONSE: Management states that they will take steps to assure timely completion of future audit reports.

GREG A. KENNEDY

*Certified Public Accountant
(A Professional Accounting Corporation)*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Board of Managers
Louisiana Sheriff's Risk Management Program
Baton Rouge, Louisiana**

I have audited the financial statements of Louisiana Sheriff's Risk Management Program, as of August 31, 1996, and for the year then ended, and have issued my report thereon dated April 28, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

The management of Louisiana Sheriff's Risk Management Program, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of Louisiana Sheriff's Risk Management Program, for the year ended August 31, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such

This report is intended solely for the use of management of Louisiana Sheriff's Risk Management Program, and interested State and Federal agencies. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana
April 28, 1997

**LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT, EARNED
MEMBERSHIP FEES, AND UNALLOCATED EXPENSES**

(Six-Year Claims Development Information)

The table on page fifteen illustrates how the Program's earned revenues (net of excess insurance premiums) and investment income compare to related costs of loss (net of loss insured by excess carriers) and other claim expenses assumed by the Program as of the end of each of the six years the Program has been in existence. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues net of excess insurance costs.
2. This line shows each fiscal year's other operating costs of the Program including overhead and claims expense not allocable to individual claims.
3. This line shows the Program's incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called the policy year).
4. This section of six rows shows the cumulative amounts paid as of the end of successive years for each policy year.
5. This section of six rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual recastation results from new information received on known claims, revaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest recastated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims or cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and recastated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

LOUISIANA SUIVIVOR'S PLAN MANAGEMENT REPORT

Companion Schedule of Claim Development, Benefit Paying History,
and Unallocated Expenses

For the Six Year Period Ended August 31, 1985

	1977	1980	1981	1982	1983	1984	1985	1986
1	\$ 4,350,218	\$ 3,225,263	\$ 5,125,871	\$ 1,286,863	\$ 70,007,223	\$ 6,100,129		
2	252,125	243,871	845,700	927,021	862,437	833,844		
3	4,071,027	3,005,895	4,304,824	2,498,888	6,855,451	6,126,281		
4	481,871	223,008	422,010	1,187,922	775,289	621,816		
	1,482,428	1,276,424	3,023,762	2,888,232	1,283,000	-		
	2,771,156	3,135,378	3,267,283	4,193,058	-	-		
	3,427,326	3,227,892	4,124,393	-	-	-		
	4,055,456	3,874,148	-	-	-	-		
	4,229,877	-	-	-	-	-		
5	4,212,027	3,008,895	4,324,507	2,498,888	6,008,411	6,126,281		
	8,228,896	6,452,750	6,223,448	2,818,912	6,242,175	-		
	9,292,485	3,712,181	3,978,248	4,825,821	-	-		
	9,212,027	3,294,289	6,812,849	-	-	-		
	8,193,022	3,244,025	-	-	-	-		
	8,223,100	-	-	-	-	-		
6	1,212,212	4,756,029	1,070,088	1,252,863	4,910,054	-		

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Increase allocated to estimated
accrued claims and reserve from end
of the policy year

Greg A. Kennedy, CPA (A854C)

GREG A. KENNEDY

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of Professional Accounting Corporation*

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**Board of Managers
Louisiana Sheriff's Risk Management Program
Hahn Rouge, Louisiana**

My examination was made primarily to enable me to express an overall opinion on the basic financial statements of Louisiana Sheriff's Risk Management Program for the year ended August 31, 1996, which are presented in the preceding sections of this report.

The comparative schedule of claim development, earned membership fees, and unallocated expenses for the six year period ended August 31, 1996 as shown on pages 15 and 16, is required supplemental information and in my opinion is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANT

**Hahn Rouge, Louisiana
April 28, 1997**

SUPPLEMENTAL INFORMATION

	<u>1995</u>	<u>1994</u>
Demand deposits	\$ <u>934,784</u>	\$ <u>2,808,861</u>
Cash and cash equivalents balances at August 31, 1995 and 1994, are collateralized as follows:		
Bank balances	\$ <u>934,784</u>	\$ <u>2,808,861</u>
Federal deposit insurance and other security	\$ <u>934,784</u>	\$ <u>2,808,861</u>
Unsecured portion	\$ <u>-</u>	\$ <u>-</u>

NOTE 10- LITIGATION

At August 31, 1995, the Program was not involved in litigation either as plaintiff or defendant except for litigation involving claims in the ordinary course of its operations.

that all or any of the insurance companies which provide excess insurance for the Program's capital, fail to collect or become unable to meet their obligations under the excess insurance contracts. In the event of such occurrence, the Program's members could be responsible for such defaulted amounts. In addition, the Program's members could be responsible for the portion of the Program's retention of claims if the Program is unable to meet its obligations.

NOTE 7- FAIR VALUES OF FINANCIAL INSTRUMENTS

The Program has a number of financial instruments, none of which are held for trading purposes. The Program estimates that the fair value of all financial instruments, with the exception of investments (see Note 3), as August 31, 1998 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Program could realize in a current market exchange.

NOTE 8- INSURANCE COVERAGE

For the period September 1, 1995 through September 1, 1996, the Program had the following insurance coverage:

Self-Insured Retention	Excess Limit	Total Limit
\$100,000 per accident	\$1,000,000	\$1,000,000 per person
\$100,000 per occurrence	\$1,000,000	\$1,000,000 per occurrence
\$200,000 annual aggregate	\$1,000,000	\$1,000,000 annual aggregate

Excess deductible: \$500,000

\$2,000,000 overall aggregate (consisting of \$2,000,000 applicable to the first excess).

Excess Carrier: 100% Spokan Duke Insurance Company
 Retroactive Date: October 1, 1995
 Self-Insured Retention: Claims made

College, Criminal and Jefferson Parish Sheriff's are not included in excess coverage.

NOTE 9- CASH AND CASH EQUIVALENTS

As of August 31, 1998 and 1995, respectively, the Program had cash and cash equivalents (bank balances) totaling \$24,284 and \$2,545,591 as follows:

GNM MBS (GMM) mortgage-backed pass-through certificates guaranteed by the Government National Mortgage Association, which are backed by the full faith and credit of the United States of America.

NOTE 4 - RESERVE FOR CLAIMS

The Program utilized the services of an independent actuarial firm to determine the estimated reserves for claims as of August 31, 1995 and 1996.

NOTE 5 - UNPAID CLAIMS LIABILITIES

The Program establishes a liability for reported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following table summarizes changes in those aggregate liabilities for the Program:

	<u>1995</u>	<u>1996</u>
Unpaid claims and claim adjustment expenses at the beginning of the year	\$ <u>15,509,657</u>	\$ <u>14,280,000</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	8,330,781	8,009,411
Increase in provision for insured events of prior years	<u>458,882</u>	<u>486,001</u>
Total incurred claims and claim expenses	<u>8,789,663</u>	<u>8,495,412</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	812,810	773,293
Claims and claim adjustment expenses attributable to insured events of prior years	<u>6,585,278</u>	<u>6,506,707</u>
Total claim expenses	<u>7,398,088</u>	<u>7,279,990</u>
Unpaid claims and claim adjustment expenses at end of year	\$ <u>14,720,118</u>	\$ <u>15,509,657</u>

As of August 31, 1996, \$16,422,088 of unpaid claims and claim adjustment expenses are presented at their net present value of \$14,720,118. These claims were discounted at annual rates of five percent.

NOTE 6 - EXCESS INSURANCE AND OTHER

A contingent liability exists which could become a liability in the unlikely event:

Treasury bill with interest rate of
5%, maturing September, 1995.

	<u>125,123</u>	<u>123,872</u>
\$	<u>12,676,818</u>	\$

A summary of investment securities as of August 31, 1990 follows:

	Approximate Cost	Gross Unrealized Gains	Gross Unrealized Losses		Approximate Market Value
FNMA	4,550,000	3,305	101,470	\$	4,291,835
FHLMC	6,410,479	544	293,480		6,129,483
SLMA	880,000	108	0		880,588
U.S. TREASURIES	2,805,000	4,314	53,551		2,801,763
FHFB	1,180,000	0	82,845		1,097,155
GNMA	50,000	945	0		50,945
GOVERN	<u>200,548</u>	<u>828</u>	<u>0</u>		<u>200,372</u>
\$	<u>15,024,527</u>	<u>10,545</u>	<u>549,304</u>	\$	<u>14,475,238</u>

The scheduled maturities of debt securities as of August 31, 1990 are as follows:

	Approximate Cost		Approximate Market Value
Due in one year or less	\$	315,000	\$
Due from one year to five years	4,865,204		4,810,413
Due from five to ten years	9,073,212		8,813,100
Due after ten years	<u>4,798,933</u>		<u>4,649,015</u>
\$	<u>19,052,419</u>	\$	<u>18,272,538</u>

FNMA MAES (FNMA)—mortgage-backed securities guaranteed by the Federal National Mortgage Association, a Federal charter and stockholder owned corporation subject to supervision by the Secretary of Housing and Urban Development.

FHLMC MAES (FHLMC)—mortgage participation certificates guaranteed by the Federal Home Loan Mortgage Corporation, publicly held, government-sponsored enterprise created pursuant to an Act of Congress.

Equity Securities

Investment in common stocks of various corporations, primarily in the United States.

<u>200,846</u>	<u>200,737</u>
\$ <u>95,034,387</u>	\$ <u>15,425,018</u>

August 31, 1998

<u>Acquired Cost</u>	<u>Appropriate Market Value</u>
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FRBA Pools, mortgage-backed securities with interest rates of 5.00% to 8.00% and maturities from March, 2004 to May, 2024.

\$ 4,538,420	\$ 4,411,058
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CPBA Pools, with an interest rate of 8.00%, maturing May, 2011.

50,000	51,588
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U.S. Treasury Notes, with interest rates of 5.25% to 7.00% and maturities from July, 1998 to May, 2003.

1,088,841	1,811,881
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FRMC Pools, mortgage-backed securities with interest rates of 5.00% to 8.00% and maturities from April, 2001 to January, 2024.

2,074,898	1,894,121
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FRMC Balloon, with interest rate of 7.50%, maturing November, 1999.

100,396	98,883
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FRBA Debentures, with interest rates of 5.75% to 6.00% and maturities from October, 2002 to January, 2004.

495,700	494,434
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FRB Debentures, with interest rates of 5.75% to 6.75% and maturities from March, 1999 to April, 1999.

498,760	498,400
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FRMC Debentures, with interest rates of 5.25% to 7.00% and maturities from February, 1998 to August, 1999.

2,475,948	2,593,387
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an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

This report is intended solely for the use of management of the Louisiana Sheriff's Risk Management Program, and interested state and Federal agencies. However, this report is a matter of public record and its distribution is not limited.



Greg A. Kennedy
District Manager, Louisiana
April 28, 1997