LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM

FINANCIAL STATEMENTS AND

SUPPLEMENTAL SCHEDULES

August 31, 1998

Greg A. Kennedy, CPA (APAC)

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
Baton Rouge, Louisiana

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AUGUST 31, 1998

Greg A. Kennedy, CPA (APAC)

GREG A. KENNEDY

Certified Public Accountant
(A Professional Accounting Corporation)

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Louisiana Sheriffs' Risk Management Program
Baton Rouge, Louisiana

I have audited the accompanying statement of financial position of the Louisiana Sheriffs' Risk Management Program as of August 31, 1998, and the related statement 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 and *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 statement 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 Sheriffs' Risk Management Program as of August 31, 1998, 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 16, 1999 on my consideration of the Program's internal control structure and a report dated April 16, 1999, on its compliance with laws and regulations.

Greg A. Kennedy

Baton Rouge, Louisiana
April 16, 1999

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LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 1998

(With Comparative Data for 1997)

ASSETS	1998	1997
Investments	$ 18,239,518	$ 17,898,828
Cash and cash equivalents	1,205,834	1,618,548
Accrued interest receivable	172,750	157,750
Membership contributions receivable	20,209	13,016
Furniture and fixtures, net	15	6,365
TOTAL ASSETS	$ 19,638,326	$ 19,694,507
LIABILITIES AND NET ASSETS		
LIABILITIES		
Claims reserves	$ 14,200,000	$ 14,671,718
Reserve for unallocated loss adjustment expenses	797,000	781,400
Accounts payable and accrued liabilities	311,162	537,462
TOTAL LIABILITIES	15,308,162	15,990,580
NET ASSETS		
Unrestricted-operating	4,330,164	3,703,927
TOTAL LIABILITIES AND NET ASSETS	$ 19,638,326	$ 19,694,507

The accompanying notes are an integral part of these statements.

LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 1998

(With Comparative Data for 1997)

	1998	1997
REVENUE AND OTHER SUPPORT		
Membership premium contributions	$ 6,764,551	$ 7,361,096
Investment income	1,100,984	999,583
Total revenue and other support	7,865,535	8,360,679
EXPENSES		
Program expenses:		
Claims and claim expenses paid on current losses	775,000	752,658
Established claims reserves	5,160,676	5,268,088
Adjustment to prior years' claim reserves	(471,718)	(56,400)
Excess insurance premiums	800,000	450,000
Unallocated loss adjustment expense	15,600	(3,600)
Total program expenses	6,279,558	6,410,746
Supporting services:		
Administrators fee	383,000	371,000
LSA administation fee	150,000	150,000
Other general and administrative	426,740	394,304
Total supporting services	959,740	915,304
Total expenses	7,239,298	7,326,050
Change in net assets	626,237	1,034,629
NET ASSETS		
August 31, 1997	3,703,927	2,669,298
August 31, 1998	$ 4,330,164	$ 3,703,927

The accompanying notes are an integral part of these statements.

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	$ 626,237	$ 1,034,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,350	6,350
Change in operating assets and liabilities:		
Accrued interest receivable	(15,000)	26,893
Receivables from members	(7,193)	173,649
Claims reserve	(471,718)	(56,400)
Reserve for unallocated loss adjustment expenses	15,600	(3,600)
Accounts payable and accrued liabilities	(226,300)	507,668
Net cash provided (used) by operating activities	(72,024)	1,689,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments	(340,690)	(1,864,461)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(412,714)	(175,272)
CASH AND CASH EQUIVALENTS:		
August 31, 1997	1,618,548	1,793,820
August 31, 1998	$ 1,205,834	$ 1,618,548

The accompanying notes are an integral part of these statements.

NOTE 1- DESCRIPTION OF PROGRAM

The Louisiana Sheriffs' 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.

Mor-Tem 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 Sheriffs' 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 $100,000 per occurrence, with an annual aggregate of $300,000. Excess coverage above the Program's retention has been been purchased each year since the inception of the Program. Excess coverage is purchased through Lloyds of London and other companies. In addition to the $100,000/$300,000 primary layer, the Program has assumed liability for a loss corridor. The loss corridor for the applicable policy years are as follows:

September 1, 1993	650,000
September 1, 1994	850,000
September 1, 1995	1,500,000
September 1, 1996	900,000
September 1, 1997	900,000

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.

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 ultimate 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 on the coverage involved. Estimated amounts of salvage and subrogation excess insurance 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 recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent 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 expense 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 liabiltiy 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 receipts 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 not-for-profit entity under Section 501 of the Internal Revenue Code.

NOTE 3- INVESTMENTS

Investments as of August 31, 1998 and 1997 are summarized as follows:

	August 31, 1998	
	Amortized Cost	Approximate Market Value
Debt Securities		
FHLMC securities with interest rates of 5.48% to 6.50% and maturities from October, 2000 to December, 2010	$ 3,844,256	$ 3,865,691

U.S. Treasury securities with interest rates of 5.88% to 6.63% and maturities from June, 1999 to August, 2023	4,345,000	4,568,831
FNMA securities with interest rates of 6.00% to 7.00% and maturities from November, 2001 to February, 2027	3,262,576	3,325,873
FHLB securities with interest rates of 5.29% to 5.70% and maturities from December, 2000 to February, 2001	850,000	852,451
SLMA security with an interest rate of 5.45% and maturing September, 1998	351,000	359,903
GNMA security with an interest rate of 7.50% and maturing March, 2027	201,675	207,663
Total debt securities	12,854,507	13,180,412
Mutual Funds		
Various mutual funds	2,600,000	2,613,131
Equity Securities		
Investment in common stocks of various corporations, primarily in the United States.	2,785,011	2,565,520
	$ 18,239,518	$ 18,359,063

	August 31, 1997	
	Amortized Cost	Approximate Market Value
Debt Securities		
FNMA Pools, mortgage-backed securities with interest rates of 6.00% to 7.00 % and maturities from December, 2002 to February, 2027.	$ 4,000,000	$ 3,854,369

FHLMC Pools, mortgage-backed securities with interest rates of 6.00% to 8.00% and maturities from November, 1999 to November, 2022.	4,350,000	4,286,948
FHLB Notes, with interest rates of 5.27% to 7.18% and maturities from February, 1999 to February, 2011.	1,545,000	1,513,260
FHLMC Debentures, with interest rates of 5.48% to 6.97% and maturities from February, 2001 to March, 2006.	1,525,000	1,469,605
FNMA Debentures, with interest rates of 6.15% to 6.20% and maturities from December, 2001 to November, 2003.	375,000	342,255
FNMA Medium Term Note, with interest rates of 5.38% to 7.20% and maturities from October, 1998 to September, 2005.	1,100,000	1,064,716
FNMA REMIC Trust, with interest rates of 7.50% to 8.00% and maturities from February, 2009 to October, 2023	250,000	228,260
FNMA Global Bond, with an interest rate of 6.35%, maturing November,2011.	200,000	179,046
U.S. Treasury Notes, with interest rates of 5.25% to 6.63% and maturities from July, 1998 to May, 2005.	1,700,000	1,645,595
SALLIE MAE Notes, with interest rate at 3-month bill + 19, and maturities from September, 1998 to January, 2000.	950,000	939,613

GNMA Notes, with interest rates of 7.50% to 8.00%, maturing from May, 2011 to March, 2027.	320,000	302,074
Total debt securities	16,315,000	15,825,741
Equity Securities		
Investment in common stocks of various corporations, primarily in the United States.	1,583,828	1,925,968
	$ 17,898,828	$ 17,751,709

A summary of investment securities as of August 31, 1998 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Market Value
FNMA	$ 3,262,576	63,297	0	$ 3,325,873
FHLMC	3,844,256	21,435	0	3,865,691
SLMA	351,000	8,903	0	359,903
U.S. TREASURIES	4,345,000	223,831	0	4,568,831
FHLB	850,000	2,451	0	852,451
GNMA	201,675	5,988	0	207,663
MUTUAL FUNDS	2,600,000	13,131	0	2,613,131
EQUITIES	2,785,011	0	219,491	2,565,520
	$ 18,239,518	339,036	219,491	$ 18,359,063

The scheduled maturities of debt securities as of August 31, 1998 are as follows:

	Amortized Cost	Approximate Market Value
Due in one year or less	$ 0	$ 0
Due from one year to five years	6,694,108	6,595,273
Due from five to ten years	4,074,012	4,416,266
Due after ten years	2,086,387	2,168,873
	$ 12,854,507	$ 13,180,412

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

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

GINNIE MAES (GNMA)-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- RESERVES FOR CLAIMS

The Program utilized the services of an independent actuarial firm to determine the estimated reserves for claims as of August 31, 1998 and 1997.

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 represents changes in those aggregate liabilities for the Program:

	1998	1997
Unpaid claims and claims adjustment expenses at the beginning of the year	$ 14,671,718	$ 14,728,118
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	6,181,020	6,372,186
Increase in provision for insured events of prior years	524,618	539,730
Total incurred claims and claim expenses	6,705,638	6,911,916
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	920,901	947,917
Claims and claim adjustment expenses attributable to insured events of prior years	6,256,455	6,020,399
Total claim expenses	7,177,356	6,968,316
Unpaid claims and claim adjustment expenses at end of year	$ 14,200,000	$ 14,671,718

As of August 31, 1998, $17,000,000 of unpaid claims and claim adjustment expenses are presented at their net present value of $14,200,000. 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 that all or any of the insurance companies which provide excess insurance for the Program cancel, fail to renew or become unable to meet their obligations under the excess insurance contracts. In the event of such occurence, 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), at August 31, 1998 does not differ materially from the aggregate carrying values 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, 1997 through September 1, 1998, the Program had the following insurance coverage:

Self-Insured Retention	Excess Limit	Total Limit
$100,000 per person	$1,000,000	$1,000,000 per person
$100,000 per occurrence	$1,000,000	$1,000,000 per occurrence
$300,000 annual aggregate	$1,000,000	$1,000,000 annual aggregate

Corridor deductible: $900,000

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

Excess Carrier: 100% Sphere Drake Insurance Company
Retroactive Date: October 1, 1986
Self-Insured Form: Claims made

Orleans Criminal and Jefferson Parish Sheriffs are not included in excess coverage.

NOTE 9- CASH AND CASH EQUIVALENTS

As of August 31, 1998 and 1997, respectively, the Program had cash and cash equivalents (bank balances) totaling $904,667 and $1,617,036 as follows:

	1998	1997
Demand deposits	$ 904,667	$ 1,617,036

Cash and cash equivalents balances at August 31, 1998 and 1997, are collateralized as follows:

	1998	1997
Bank balances	$ 904,667	$ 1,617,036
Federal deposit insurance and other security	$ 904,667	$ 1,617,036
Unsecured portion	$ -	$ -

NOTE 10- LITIGATION

At August 31, 1998, the Program was not involved in litigation either as plaintiff or defendant except for litigation involving claims in the ordinary course of its operation

SUPPLEMENTAL INFORMATION

GREG A. KENNEDY

Certified Public Accountant
(A Professional Accounting Corporation)

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Managers
Louisiana Sheriffs' Risk Management Program
Baton Rouge, Louisiana

My examination was made primarily to enable me to express an overall opinion on the basic financial statements of Louisiana Sheriffs' Risk Management Program for the year ended August 31, 1998, 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, 1998 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.

Greg A. Kennedy
CERTIFIED PUBLIC ACCOUNTANT

Baton Rouge, Louisiana
April 16, 1999

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LOUISIANA SHERIFFS' RISK MANAGEMENT PROGRAM
Comparative Schedule of Claim Development, Earned Membership Fees,
and Unallocated Expenses

For the Six Year Period Ended August 31, 1998

		1993	1994	1995	1996	1997	1998
1	Earned membership fees and interest revenue net of excess insurance premiums	$ 5,776,991	$ 7,296,950	$ 10,067,223	$ 9,130,129	$ 7,910,679	$ 7,065,535
2	Unallocated expenses	840,101	637,071	583,437	536,544	500,917	419,629
3	Estimated incurred claims and expenses, net of policy year	4,934,501	3,468,868	6,035,411	6,130,761	6,372,186	6,181,020
4	Cumulative paid claims as of:						
	End of policy year	420,010	1,187,902	773,293	873,810	2,002,857	1,942,771
	One year later	1,373,780	2,854,242	1,283,997	2,905,968	2,062,943	-
	Two years later	3,301,083	4,160,559	3,586,007	2,993,147	-	-
	Three years later	4,134,383	4,266,056	3,693,587	-	-	-
	Four years later	4,489,201	4,394,038	-	-	-	-
	Five years later	4,623,877	-	-	-	-	-
5	Reestimated incurred claims and expenses:						
	End of policy year	4,934,501	3,468,868	6,035,411	6,130,761	6,432,141	6,239,177
	One year later	5,923,546	3,515,514	6,546,115	8,162,919	6,625,105	-
	Two years later	5,979,749	4,821,831	8,848,125	8,407,807	-	-
	Three years later	6,813,049	4,927,328	8,936,606	-	-	-
	Four years later	7,167,867	5,075,148	-	-	-	-
	Five years later	7,382,903	-	-	-	-	-
6	Increase (decrease) in estimated incurred claims and expense from end of the policy year	$ 2,448,402	$ 1,606,280	$ 2,901,195	$ 2,277,046	$ 252,919	$ -

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 assumed 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 claim 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 show how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

6. This line compares the latest reestimated 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 reestimated 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.

OTHER REPORTS REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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 Sheriffs' Risk Management Program
Baton Rouge, Louisiana

I have audited the financial statements of Louisiana Sheriffs' Risk Management Program, as of August 31, 1998, and for the year then ended, and have issued my report thereon dated April 16, 1999.

I conducted my audit in accordance with generally accepted auditing standards and 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 general-purpose financial statements are free of material misstatement.

The management of Louisiana Sheriffs' 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 Sheriffs' Risk Management Program, for the year ended August 31, 1998, 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

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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 Sheriffs' 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

Baton Rouge, Louisiana
April 16, 1999

GREG A. KENNEDY

Certified Public Accountant
(A 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 Sheriffs' Risk Management Program
Baton Rouge, Louisiana

I have audited the financial statements of Louisiana Sheriffs' Risk Management Program, as of August 31, 1998, and for the year then ended, and have issued my report thereon dated April 16, 1999.

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. Those 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 Sheriffs' Risk Management Program, is the responsibility of Louisiana Sheriffs' 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 Sheriffs' 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 CONDITION: The audit report was due February 28, 1999 but not released until May 14, 1999.
CAUSE: Greater time than anticipated was needed to review the Program's remedies for the Y2K (Year 2000) problem.
EFFECT: There is no material effect to these financial statements.

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MANAGEMENT RESPONSE: Management states that proper steps have been taken to ready the Program for the year 2000; all future reports will be released timely.

This report is intended solely for the use of management of Louisiana Sheriffs' 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

Baton Rouge, Louisiana
April 16, 1999