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Louisiana Housing Council Authorities
Group Self Insurance Funds
Iowa, Louisiana
September 30, 1999

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Release Date 3-1-00

Table of Contents

Independent Auditor's Report	Page	3
Financial Statements		
Combining and Combined Balance Sheets	Page	5
Combining and Combined Statements of Revenues, Expenses and Changes in Fund Equity	Page	6
Combining and Combined Statements of Cash Flows	Page	7
Notes to Financial Statements	Page	8
Supplementary Information		
Schedule 1 - 10 Year Claims Development Information		
Workers Compensation Fund	Page	19
Health Fund	Page	20
Fire and Extended Coverage, General Liability and Public Officials Liability Fund	Page	21
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	Page	22

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December 17, 1999

Independent Auditor's Report

Insurance Committee
Louisiana Housing Council, Inc.
Iowa, Louisiana

We have audited the accompanying combining balance sheet of

**Louisiana Housing Council Authorities Group Self Insurance Funds
Iowa, Louisiana**

as of September 30, 1999, and the combined balance sheets as of September 30, 1999 and September 30, 1998, the related combining statement of revenue, expenses and changes in fund equity and cash flows for the year ended September 30, 1999, and the combined statements of revenue, expenses and changes in fund balance and cash flows for the years ended September 30, 1999 and September 30, 1998. These combining and combined financial statements are the responsibility of the management of the Louisiana Housing Council Authorities Group Self Insurance Funds. Our responsibility is to express an opinion on these combining and combined financial statements based on our audits.

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

In our opinion, the combining and combined financial statements referred to above present fairly, in all material respects, the financial positions of the Louisiana Housing Council Authorities Group Self Insurance Funds as of September 30, 1999, the financial position of Louisiana Housing Council Authorities Group Self Insurance Funds as of September 30, 1999 and September 30, 1998, and the results of their operations and their cash flows for the year and years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combining financial statements taken as a whole. The required supplementary information included in the Schedule 1-10-year Claims Development Information is presented for purposes of additional analysis and is not a required part of the combining financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the combining financial statements and in our opinion, is fairly stated in all material respects in relation to the combining financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 1999 on our consideration of the Louisiana Housing Council Authorities Group Self Insurance Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Balance Sheet - September 30, 1999
Combined Balance Sheets September 30, 1999 and September 30, 1998

	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Long Term Disability Fund</u>	<u>Life Insurance Fund</u>	<u>Pension Fund</u>	<u>Fire & Extended Coverage, General Liability, Public Officials Liability Fund</u>	<u>1999 Totals</u>	<u>1998 Totals</u>
Assets								
Cash		\$14,170				\$12,671	\$26,841	\$18,069
Investments	\$870,605	579,528			\$50,766	478,439	1,979,338	1,204,175
Premiums receivable	113,733	30,496	\$1,012		13,476	14,931	173,648	121,519
Prepaid expenses						1,262,933	1,262,933	1,471,167
Other receivables		4,665	1,706		35,919	85,150	127,440	127,928
LWCC Loss Fund	30,000						30,000	14,195
Accrued interest	<u>1,448</u>	<u>3,440</u>				<u>361</u>	<u>5,249</u>	<u>3,518</u>
Total assets	<u>1,015,786</u>	<u>632,299</u>	<u>2,718</u>		<u>100,161</u>	<u>1,854,485</u>	<u>3,605,449</u>	<u>2,960,571</u>
Liabilities and Fund Equity								
Accounts payable	56,228		1,012			85,740	142,980	98,293
Claims reserve	140,877	238,044				71,489	450,410	471,896
Deposit premiums	1,601						1,601	1,601
Unearned premiums						1,518,080	1,518,080	1,466,167
Policy premiums payable			1,706		64,242		65,948	48,589
Pension forfeitures payable					35,919		35,919	20,259
Commissions payable						<u>1,375</u>	<u>1,375</u>	<u>1,120</u>
Total liabilities	198,706	238,044	2,718		100,161	1,676,684	2,216,313	2,107,925
Fund Equity	<u>817,080</u>	<u>394,255</u>				<u>177,801</u>	<u>1,389,136</u>	<u>852,646</u>
Total liabilities and fund equity	<u>1,015,786</u>	<u>632,299</u>	<u>2,718</u>		<u>100,161</u>	<u>1,854,485</u>	<u>3,605,449</u>	<u>2,960,571</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Statement of Revenues, Expenses and Changes in Fund Equity - Year Ended September 30, 1999
Combined Statement of Revenues, Expenses and Changes in Fund Equity -
Years Ended September 30, 1999 and September 30, 1998

	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Long Term Disability Fund</u>	<u>Life Insurance Fund</u>	<u>Pension Fund</u>	<u>Fire & Extended Coverage, General Liability, Public Officials Liability Fund</u>	<u>1999 Totals</u>	<u>1998 Totals</u>
Revenues								
Premiums earned	\$593,240	\$1,515,369	\$36,983	\$66,056	\$648,147	\$2,922,284	\$5,782,079	\$5,470,119
Premiums ceded	(203,157)	(205,431)				(125,000)	(533,588)	(328,266)
Net premiums earned	390,083	1,309,938	36,983	66,056	648,147	2,797,284	5,248,491	5,141,853
Investment income	38,440	38,486				4,107	81,033	42,594
Net appreciation (depreciation) in fair value of investments	(4,791)	(13,748)				4,056	(14,483)	32,304
LHC fee						52,703	52,703	
Other	<u>3,550</u>	<u>11,650</u>	<u>1,423</u>			<u>4,200</u>	<u>20,823</u>	<u>17,630</u>
Total Revenues	<u>427,282</u>	<u>1,346,326</u>	<u>38,406</u>	<u>66,056</u>	<u>648,147</u>	<u>2,862,350</u>	<u>5,388,567</u>	<u>5,288,265</u>
Expenses								
Claims expenses	70,587	1,672,737				82,854	1,826,178	1,624,747
Less reinsurance proceeds		(451,268)					(451,268)	(101,272)
Net incurred claims expenses	<u>70,587</u>	<u>1,221,469</u>				<u>82,854</u>	<u>1,374,910</u>	<u>1,523,475</u>
Administrative fees	20,000	11,021	1,423		1,116	43,754	77,314	35,465
Claims administrator fees		69,529					69,529	63,368
Insurance policies purchased			36,983	66,056	647,031	2,504,638	3,254,708	3,617,561
Fees paid to LHC						52,703	52,703	53,884
Louisiana Dept. of Ins. audit	6,526	5,865					12,391	
Actuarial fees	1,500						1,500	1,500
Bank service charges/other	<u>4,023</u>	<u>4,399</u>				<u>600</u>	<u>9,022</u>	<u>20,523</u>
Total Expenses	<u>102,636</u>	<u>1,312,283</u>	<u>38,406</u>	<u>66,056</u>	<u>648,147</u>	<u>2,684,549</u>	<u>4,852,077</u>	<u>5,315,776</u>
Net Income (Loss)	324,646	34,043				177,801	536,490	(27,511)
Fund Equity,								
Beginning of year	<u>492,434</u>	<u>360,212</u>					<u>852,646</u>	<u>880,157</u>
End of year	<u>817,080</u>	<u>394,255</u>				<u>177,801</u>	<u>1,389,136</u>	<u>852,646</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Statement of Cash Flows - Year Ended September 30, 1999
Combined Statements of Cash Flows - Years Ended September 30, 1999 and September 30, 1998

	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Long Term Disability Fund</u>	<u>Life Insurance Fund</u>	<u>Pension Fund</u>	<u>Officials Liability Fund</u>	<u>Fire & Extended Coverage, General Liability, Public Officials Liability Fund</u>	<u>1999 Totals</u>	<u>1998 Totals</u>
Cash Flows from Operating Activities									
Net income (loss)	\$324,646	\$34,043				\$177,801	\$536,490	(\$27,511)	
Adjustments to reconcile net income to net cash provided (used) by operations									
Net (appreciation) depreciation in fair value of investments	4,791	13,748				(4,056)	14,483	(32,304)	
(Increase) Decrease in									
Receivables	(23,013)	4,426	(\$886)	\$1,198	(\$25,923)	(7,443)	(51,641)	(73,968)	
Accrued investment income	(1,142)	(228)				(361)	(1,731)	4,915	
Prepaid expenses	5,000					203,234	208,234	35,311	
LWCC Loss Fund	(15,805)					(15,805)	(15,805)	13,144	
Increase (Decrease) in									
Unpaid claims liability	(63,721)	(29,254)				71,489	(21,486)	94,271	
Unearned premiums						51,913	51,913	(40,311)	
Accounts payable	51,514		(595)	(456)	32,280	(5,523)	77,220	5,843	
Premiums payable			1,481	(742)			739	41,708	
	<u>282,270</u>	<u>22,735</u>	<u>--</u>	<u>--</u>	<u>6,357</u>	<u>487,054</u>	<u>798,416</u>	<u>(102,982)</u>	
Net cash provided (used) by operating activities									
Cash Flows from Investing Activities									
Proceeds from sale and maturity of investment securities	1,351,998	3,026,594				1,111,968	5,490,560	3,050,103	
Purchase of investment securities	(1,635,786)	(3,051,710)				(1,586,351)	(6,280,204)	(2,934,052)	
	<u>(283,788)</u>	<u>(25,116)</u>				<u>(474,383)</u>	<u>(789,644)</u>	<u>116,051</u>	
Net cash provided (used) in investing activities									
Net Increase (Decrease) in Cash	(1,518)	(2,381)				12,671	8,772	13,069	
Cash, beginning of year	<u>1,518</u>	<u>16,551</u>					<u>18,069</u>	<u>5,000</u>	
Cash, end of year	<u>--</u>	<u>14,170</u>				<u>12,671</u>	<u>26,841</u>	<u>18,069</u>	

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Background information on Public Entity Risk Pools

In April, 1984, the Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local entities.

In November, 1989, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

In February, 1996, the GASB issued Statement No. 30 "Risk Financing Omnibus, An Amendment of GASB Statement No. 10".

A "public entity risk pool" is defined in GASB Statement No. 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

Risk-sharing pool

An arrangement by which governments pool risks and funds and share in the control of losses.

Insurance-purchasing pool

An arrangement by which governments pool funds or resources to purchase commercial insurance products.

Banking pool

An arrangement by which monies are made available for pool members in the event of loss on a loan basis.

Claims-servicing or account pool

An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Background information on Public Entity Risk Pools (Continued)

The following are both risk-sharing and insurance-purchasing pools:

Workers Compensation Fund

Health Insurance Fund

Fire & Extended Coverage, General Liability and Public Officials Liability Fund

Insurance-purchasing pools are as follows:

Long-Term Disability Fund

Life Insurance Fund

Pension Fund

Participation in the funds is open to all housing authorities which are members of the Louisiana Housing Council, Inc. These housing authorities join together to acquire commercial insurance coverage at lower costs. Participation is voluntary and participants may withdraw by giving proper notice. The fund's general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of interlocal risk management to obtain lower costs for that coverage.

In 1981, the Louisiana Legislature enacted Louisiana Revised Statute (LRS) 33:1351 through 33:1360, the "Local Housing Authority Self Insurance Act of 1981." LRS 33:1354 authorizes the Louisiana Housing Council, Inc. (LHC) to administer an interlocal risk management agency, with the insurance committee of the LHC constituting the board of trustees for such agency. LHC is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

Background on the Risk-Sharing Pools

Participating housing authorities transfer risk of loss to the funds in the risk-sharing pools. If the assets of The Funds are exhausted, participants will be responsible for their respective outstanding claims.

Seventy-one housing authorities were participants in the Workers' Compensation Fund as of September 30, 1999. The Fund uses Louisiana Workers' Compensation Corporation (LWCC) for claims processing and has established a "Loss Deposit" account with them in the amount of \$30,000.

Forty-one housing authorities were participating in the Health Fund as of September 30, 1999. American Group Administrators, Inc. of Hendersonville, Tennessee performs the claims processing for the Health Fund.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Background Information on the Risk-sharing Pools (Continued)

Beginning in April 1999, the Fire & Extended Coverage, General Liability and Public Officials Liability Fund changed its status and became a risk-sharing pool for the general liability component in addition to an insurance-purchasing pool for the rest of the Fund. One hundred ten housing authorities were participating in general liability component as of September 30, 1999. Associated Claims Adjusters, Inc. provides claims adjusting services for the general liability component.

Fund underwriting and rate-setting policies have been established by the LHC Insurance Committee, which is the governing body of The Fund.

Background Information on the Insurance-purchasing Pools

The insurance-purchasing pools include the Long-Term Disability Fund, Life Insurance Fund and the Pension Fund, which are comprised of members of the Louisiana Housing Council, Inc. The Fund receives the premiums from the housing authorities and pools the funds to purchase commercial insurance products.

Note 1-Summary of Significant Accounting Policies

A. Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash in money market accounts and cash in demand deposit accounts with banks.

C. Method Used to Value Investments

Investments are reported at fair value. Fair value is based upon the market value on the last business day of the fiscal year. Purchases and sales of securities are reflected on the trade date. Interest income is recorded as earned on an accrual basis.

D. Premium Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they become earned. Accounts receivable are current and considered to be fully collectible by management; therefore, no reserve for bad debts has been established.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 1-Summary of Significant Accounting Policies (Continued)

E. Unpaid Claims Liability

- (1) Workers' Compensation Fund, Health Fund and Fire & Extended Coverage, General Liability and Public Officials Liability Fund

These funds establish 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 (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance 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 costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense is presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

- (2) All Other Insurance Funds

These funds buy insurance from various commercial insurance companies to cover all claims; therefore, no reserve for unpaid claims liability has been established.

F. Reinsurance

The Funds in the risk-sharing pools use reinsurance agreements to reduce exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses, although it does not discharge the primary liability of the individual funds as direct insurer of the risks. Funds do not report reinsured risks as liabilities unless it is probable that those costs will not be covered by reinsurers. All of the reinsurance activity is associated with a single reinsurer.

G. Income Taxes

The Funds are exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 1-Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2-Unpaid Claims Liabilities

The funds shown below have established liabilities for both reported and unreported insured events, which include estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

Changes in these liabilities are as follows:

<u>September 30, 1999</u>	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Fire & Extended Coverage, General Liability, Public Officials Liability Fund</u>
Unpaid claims and claims adjustment expenses at beginning of year	<u>\$204,598</u>	<u>\$267,298</u>	
Incurred claims and claims adjustment expenses of the current year/period	110,000	977,007	\$82,854
Increases (decreases) in provision for insured events of prior years	<u>(39,413)</u>	<u>244,462</u>	<u> </u>
<u>Total incurred claims and claims adjustment expense</u>	<u>70,587</u>	<u>1,221,469</u>	<u>82,854</u>
Payments for claims and claims adjustment expenses attributable to:			
Insured events of current year	23,279	1,190,231	11,365
Insured events of prior years	<u>111,029</u>	<u>60,492</u>	<u> </u>
<u>Total payments</u>	<u>134,308</u>	<u>1,250,723</u>	<u>11,365</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>140,877</u>	<u>238,044</u>	<u>71,489</u>

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 2-Unpaid Claims Liabilities (Continued)

<u>September 30, 1998</u>	<u>Workers Com- pensation Fund</u>	<u>Health Fund</u>
Unpaid claims and claims adjustment expenses at beginning of year	<u>\$173,000</u>	<u>\$204,625</u>
Incurred claims and claims adjustment expenses of the current year	173,671	1,440,388
Increases (decreases) in provision for insured events of prior years	<u>1,462</u>	<u>(89,358)</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>175,133</u>	<u>1,351,030</u>
Payments for claims and claims adjustment expenses attributable to:		
Insured events of current year	51,114	1,271,684
Insured events of prior years	<u>92,421</u>	<u>16,673</u>
<u>Total payments</u>	<u>143,535</u>	<u>1,288,357</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>204,598</u>	<u>267,298</u>

Note 3-Cash and Cash Equivalents, and Investments

A. Cash and Cash Equivalents

(1) Workers' Compensation Fund

At September 30, 1998, the carrying amount of The Funds' cash and cash equivalents was \$1,518 and the bank balance \$1,503, which was covered by federal depository insurance.

(2) Health Fund

At September 30, 1999 and September 30, 1998, the carrying amount of The Funds' cash and cash equivalents was \$14,170 and \$16,551 respectively, and the bank balance was \$41,832 and \$95,194, respectively, which was covered by federal deposit insurance.

(3) General Liability Fund

At September 30, 1999, the carrying amount of The Fund's cash and cash equivalents was \$12,671, and the bank balance was \$3,981, which was covered by federal deposit insurance.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 3-Cash and Cash Equivalents, and Investments (Continued)

B. Investments

The investments of The Fund are held by custodial banks, or their intermediaries in The Funds' name. The Funds' investments are categorized below to give an indication of the level of risk assumed by the entity. Category 1 includes investments that are insured or registered or for which the securities are held by The Fund or its agent in The Funds' name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in The Funds' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in The Funds' name. The categorization for the investments held at September 30, 1999 was:

	<u>Category of Risk</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Workers Compensation Fund				
Investments				
Money Market	\$375,669			\$375,669
Treasury bills	<u>494,936</u>			<u>494,936</u>
<u>Total investments</u>	<u>870,605</u>			<u>870,605</u>
Health Fund				
Investments				
Money Market	\$83,457			\$83,457
Treasury bills	197,043			197,043
Treasury notes	276,992			276,992
Mortgage backed securities	<u>22,036</u>			<u>22,036</u>
<u>Total investments</u>	<u>579,528</u>			<u>579,528</u>
General Liability Fund				
Investments				
Money Market	\$93,636			\$93,636
Treasury bills	<u>384,803</u>			<u>384,803</u>
<u>Total investments</u>	<u>478,439</u>			<u>478,439</u>
Pension Fund				
Investments				
Money Market	<u>\$50,766</u>			<u>\$50,766</u>
<u>Total investments</u>	<u>\$50,766</u>			<u>\$50,766</u>

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 3-Cash and Cash Equivalents, and Investments (Continued)

B. Investments (Continued)

The categorization for the investments held at September 30, 1998 was:

	<u>Category of Risk</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Workers Compensation Fund				
Investments				
Money Market	\$103,385			\$103,385
Treasury bills	<u>488,221</u>			<u>488,221</u>
	<u>591,606</u>			<u>591,606</u>
Health Fund				
Investments				
Money Market	\$89,061			\$89,061
Certificates of deposit	150,367			150,367
Treasury bills	247,931			247,931
Treasury notes	50,047			50,047
Mortgage backed securities	<u>30,754</u>			<u>30,754</u>
	<u>568,160</u>			<u>568,160</u>
Pension Fund				
Investments				
Money Market	<u>\$44,409</u>			<u>\$44,409</u>
	<u>\$44,409</u>			<u>\$44,409</u>

Note 4-Reinsurance Policy Coverage

A. Workers' Compensation Fund

At September 30, 1999, The Fund had reinsurance with maximum aggregate excess coverage of \$2,000,000 and maximum specific excess coverages of \$2,000,000. The self insured retention is \$100,000 for each event and \$225,000 in the aggregate. Premiums ceded to reinsurers during the fiscal year ending September 30, 1999 and 1998 were \$175,368 and \$161,876, respectively. All of the reinsurance activity was with a single reinsurer. There were no anticipated recoverable amounts at September 30, 1999.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 4-Reinsurance Policy Coverage (Continued)

B. Health Fund

At September 30, 1999, The Fund had reinsurance with each participant having a lifetime maximum coverage of \$1,000,000. The self insured retention is \$35,000 for each individual. Premiums ceded to reinsurers during the fiscal year ending September 30, 1999 and 1998 were \$205,431 and \$166,390, respectively and the amounts deducted from claims were \$451,268 and \$99,584 respectively. All of the reinsurance activity was with a single reinsurer. Anticipated recoverable amounts as of September 30, 1998 were \$21,479. There were no anticipated recoverable amounts at September 30, 1999.

C. Fire & Extended Coverage, General Liability and Public Officials Liability Fund

At September 30, 1999, the General Liability Component obtained reinsurance with a self insured retention of \$50,000 for each event and \$450,000 in the aggregate. Premiums ceded to reinsurers during the fiscal year ending September 30, 1999 were \$125,000 and no amount was deducted from claims. All of the reinsurance activity was with a single reinsurer. There were no anticipated recoverable amounts at September 30, 1999.

Note 5-Related Party Transactions

The Louisiana Housing Council, Inc. (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, but does not participate in the insurance. The Fire and Extended Coverage, General Liability and Public Officials Liability Fund pays a fee to LHC based on housing authorities' participation in the pool of fire & extended coverages, general liability and public officials liability policies. Total fees paid to LHC for 1999 and 1998 were \$51,328 and \$53,884, respectively. At September 30, 1999, the Fund owed LHC \$1,375 in unremitted fees.

Note 6-Administrative Services

Broussard, Bush & Hurst (BB&H), a division of Arthur J. Gallagher & Co. of La., Inc., is a third-party service agent hired by the Fund to perform the administrative functions such as premium billing and record keeping. These fees are based on different criteria for each type of insurance coverage. Total fees expensed for 1999 and 1998 were \$77,314 and \$35,465, respectively.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 1999

Note 6-Administrative Services (Continued)

Fees by fund are as follows:

	<u>1999</u>	<u>1998</u>
Workers Compensation Fund	\$20,000	\$20,000
Health Fund	11,021	12,894
Long-Term Disability Fund	1,423	1,430
Life fund		
Pension Fund	1,116	1,141
Fire & Extended Coverage, General Liability and Public Officials Liability Fund	<u>43,754</u>	_____
	<u>77,314</u>	<u>35,465</u>

Note 7-Forfeitures Payable

At September 30, 1999, the Fund had a forfeiture account with The Copeland Companies, which provides the pension plan to the housing authority participants, for \$35,919. This amount is to be allocated to the participants.

Supplementary Information

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
Workers Compensation Fund
Five Years Ended September 30, 1999

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Required contribution and investment revenue					
Earned	\$630,439	\$556,729	\$546,592	\$448,011	\$432,700
Ceded	<u>(203,157)</u>	<u>(161,876)</u>	<u>(164,953)</u>	<u>(162,665)</u>	<u>142,805</u>
Net earned	427,282	394,853	381,639	285,346	289,895
Unallocated expenses	32,049	32,769	34,712	33,529	20,691
Estimated claims and expenses, end of policy year					
Incurred	\$110,000	173,671	193,473	181,743	225,000
Ceded	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net incurred	110,000	173,671	193,473	181,743	225,000
Net paid, cumulative as of :					
End of policy year	23,279	51,114	51,266	60,560	66,445
One year later		114,324	143,346	101,034	165,450
Two years later			187,588	101,034	246,950
Three years later				101,034	246,950
Four years later					246,950
Re-estimated ceded claims and expenses	--	--	--	--	--
Re-estimated net incurred claims and expenses					
End of policy year	110,000	173,671	193,473	181,743	225,000
One year later		142,898	225,387	128,106	248,584
Two years later			213,170	101,034	250,686
Three years later				101,034	246,950
Four years later					246,950
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	—	(30,773)	19,697	(80,709)	21,950

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GABS 30). The Workers Compensation Fund has only been in existence for five years so only five years' information is shown. The Schedule illustrates how The Fund's earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
Health Fund
Four Years Ended September 30, 1999

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Required contribution and investment revenue				
Earned	\$1,551,757	\$1,384,224	\$1,309,731	\$1,127,249
Ceded	<u>(205,431)</u>	<u>(166,390)</u>	<u>(162,701)</u>	<u>(157,878)</u>
Net earned	1,346,326	1,217,834	1,147,030	969,371
Unallocated expenses	90,814	81,266	59,896	47,916
Estimated claims and expenses, end of policy year				
Incurred	1,428,275	1,538,982	1,104,813	1,310,515
Ceded	<u>451,268</u>	<u>98,594</u>	<u>12,010</u>	<u>409,953</u>
Net incurred	77,007	1,440,388	1,092,803	900,562
Net paid, cumulative as of :				
End of policy year	1,190,231	1,271,684	888,178	1,114,685
One year later				1,310,515
Two years later				
Re-estimated ceded claims and expenses	451,268	98,594	12,010	409,953
Re-estimated net incurred claims and expenses				
End of policy year	977,007	1,440,388	1,092,803	900,562
One year later		1,440,388	1,092,803	900,562
Two years later			1,092,803	900,562
Three years later				900,562
Increase in estimated net incurred claims and expenses from end of policy year	--	--	-	-

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GABS 30). The Health Fund has data for only four years so four years' information is shown. The Schedule illustrates how The Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
Fire & Extended Coverage, General Liability and Public Officials Liability Fund
Year Ended September 30, 1999

Required contribution and investment revenue	
Earned	\$895,076
Ceded	<u>(250,000)</u>
Net earned	645,076
Unallocated expenses	128,192
Estimated claims and expenses, end of policy year	
Incurred	82,854
Ceded	<u> </u>
Net incurred	82,854
Net paid, cumulative as of :	
End of policy year	11,365
Re-estimated ceded claims and expenses	-
Re-estimated net incurred claims and expenses	
End of policy year	11,365
Increase in estimated net incurred claims and expenses from end of policy year	-

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GABS 30). This is the first year for the Fire & Extended Coverage, General Liability and Public Officials Liability Fund, therefore, only one year information is shown. The Schedule illustrates how The Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

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CHARLES E. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.

ROBERT B. HAWTHORN, C.P.A.
(1986-1977)
JOHN E. WAYMOUTH, C.P.A.
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December 17, 1999

Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Insurance Committee
Louisiana Housing Council Authorities Group Self Insurance Funds
Iowa, Louisiana

Members of the Committee:

We have audited the combining and combined financial statements of the

**Louisiana Housing Council Authorities Group Self Insurance Funds
Iowa, Louisiana**

as of and for the year ended September 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Housing Council Authorities Group Self Insurance Funds' combining financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Housing Council Authorities Group Self Insurance Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combining financial statements

and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the insurance committee, management, the Louisiana legislative auditor and the Louisiana insurance commissioner and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.