

**Louisiana Housing Council, Inc.
Group Self Insurance
Risk Management Agency
March 31, 2018**

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Independent Auditor's Report

Insurance Committee
Louisiana Housing Council, Inc. Group
Self Insurance Risk Management Agency
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency (the "Agency"), as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency as of March 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 and the schedule 1 - 10 year claims development information on pages 24 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements of the Agency. The combining statement of net position, combining statement of revenues, expenses, and changes in net position, the financial indicator table, and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position, combining statement of revenues, expenses, and changes in net position, the financial indicator tables, and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, on our consideration of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's internal control over financial reporting and compliance.



September 21, 2018

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Management's Discussion and Analysis
March 31, 2018

The following is management's discussion and analysis of the financial performance of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency (the "Agency") for the fiscal year ended March 31, 2018. It is presented as a narrative overview and analysis for the purpose of assisting the reader in interpreting the key elements of the financial statements, notes to the financial statements, and supporting schedules for the current year.

Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency is an association of City and Parish Public Housing Authorities in the State of Louisiana that pools their funds to purchase certain types of insurance coverage. The Agency was originally formed in 1994 and currently offers coverage for Health, Fire and Extended Coverage (Property), General Liability, Auto, and Public Officials Liability. Each line of coverage is a separate fund within the Agency and has different membership. The General Liability and Property Funds have the broadest membership with 102 and 98 authorities, respectively. Additional insurance purchasing programs offered by the Agency include Workers' Compensation, Long Term Disability, and Life.

A committee of 7 members serves as the insurance committee. This committee makes the decisions regarding the insurance operations, and results are shown herein. The Agency and its insurance program are currently administered by Arthur J. Gallagher Risk Management Services, Inc. at the direction of the committee.

Financial Highlights

	<u>(in Millions)</u>			Percentage
	<u>At March</u>	<u>At March</u>	<u>At March</u>	Increase
	<u>31, 2018</u>	<u>31, 2017</u>	<u>31, 2016</u>	(Decrease)
Cash and Investments	8.82	8.14	10.82	8.35%
Unpaid Claims Liability	1.96	1.85	2.11	5.95%
Net Position	6.22	6.15	6.30	1.14%
	Fiscal	Fiscal	Fiscal	Percentage
	Year	Year	Year	Increase
	2018	2017	2016	(Decrease)
Premium Income	11.58	11.51	11.28	0.61%
Premiums Ceded and Insurance				
Policies Purchased	6.93	7.11	7.08	(2.53%)
Investment Income and				
Change in Unsold Investments	0.03	0.05	0.06	(40.00%)
Net Incurred Claims Expense	4.15	4.01	3.39	3.49%
Administrative, Legal and Overhead Fees	0.59	0.62	0.50	(4.84%)
Change in Net Position Prior to Dividends	0.44	0.36	0.87	22.22%
Policyholder Dividends	0.37	0.50	0.00	(26.00%)
Change in Net Position	0.07	(0.14)	0.87	150.00%

As shown above, cash and investments increased by 8.35%, mostly due to the timing of payments. In the prior year, the Agency paid a \$500,000 dividend in the same fiscal year of declaration. As of March 31, 2018, the Agency had not paid the declared dividend of \$369,743.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Management's Discussion and Analysis
March 31, 2018

Financial Highlights (Continued)

There was minimal fluctuation in premiums earned for all coverages, increasing just 0.61%. Premiums ceded also saw minimal fluctuation for all coverages as it decreased just 2.53%. Net claims expense increased 3.49% in 2018.

The following table shows net claims expense by each self-insured fund over the past three years:

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
Health	\$ 2,695,804	\$ 2,992,924	\$ 2,923,717
Property Fund	1,078,630	1,023,711	806,410
General Liability	170,515	(87,972)	(344,671)
Public Officials	88,935	55,898	-
Auto	<u>118,282</u>	<u>27,995</u>	<u>-</u>
Total net incurred claims expense	<u>\$ 4,152,166</u>	<u>\$ 4,012,556</u>	<u>\$ 3,385,456</u>

Administrative, legal, and overhead fees decreased approximately \$35,000 or 4.84%. Investment income for fiscal year 2018 was approximately \$34,000 or about 0.4% earned on average cash and investments, compared to approximately \$47,000 and 0.6% earned from fiscal year 2017. The trend in investment earnings is consistent with the overall investment environment for the current fiscal year.

The overall change in net position excluding policyholder dividends for the 2018 fiscal year was approximately \$440,000 compared to approximately \$355,000 for the 2017 fiscal year. This increase was driven mostly by the increase in net premiums earned.

The Agency's insurance programs have a combined net position of \$6.22 million as of March 31, 2018.

Basic Financial Statements

The basic financial statements include information for Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency. The statements are presented in accordance with Governmental Accounting Standards Board (GASB) accounting principles and include the Statements of Net Position; Statements of Revenues, Expenses, and Change in Net Position; and Statements of Cash Flows.

The Statements of Net Position present the assets and liabilities of the Agency. The difference between total assets and liabilities is represented as net position and is a useful indicator of the surplus generated for all years of operation. The change in net position is a useful measure of whether the financial position is improving or deteriorating.

The Statements of Revenues, Expenses, and Change in Net Position present the results of the insurance operations for the past two fiscal years. This statement shows the revenues generated by the funds along with the associated expenses. The revenues in excess of expenses or expenses in excess of revenues are represented as the change in net position from one year to another.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Management's Discussion and Analysis
March 31, 2018

Basic Financial Statements (Continued)

The statements of cash flows present information showing how cash changed throughout the fiscal years as a result of operations and investing.

Other Receivables

Included in other receivables on the statements of net position are the following:

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>
Policyholder dividends receivable	\$ 348,130	\$ 369,743	\$ 368,402
Miscellaneous receivables	<u>2,161</u>	<u>20,302</u>	<u>2,662</u>
Total other receivables	<u>\$ 350,291</u>	<u>\$ 390,045</u>	<u>\$ 371,064</u>

Unearned Premiums

When premiums are pre-collected for a renewal or insurance carrier premium installment, a liability must be established to reflect the portion of premiums collected that have not been earned.

Contacting the Agency's Designated Representative

This financial report is intended to provide a general overview of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency. Questions concerning information provided herein, or requests for additional financial information, should be addressed to the Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's designated representative:

Mr. Richard Murray, Vice Chairman
16114 Magnolia Trace Parkway
Baton Rouge, Louisiana 70817

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Statements of Net Position
March 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 3,360,960	\$ 2,222,626
Investments	5,454,937	5,912,836
Premiums receivable	86,707	90,563
Reinsurance and excess insurance receivables	80,137	72,278
Other receivables	350,291	390,045
Prepaid expenses	842,301	575,397
Escrow funds	130,466	38,724
Accrued interest	11,821	8,738
	\$ 10,317,620	\$ 9,311,207
	\$ 10,317,620	\$ 9,311,207
Liabilities		
Accounts payable	\$ 54,336	\$ 42,165
Unpaid claims liability	1,955,733	1,848,166
Unearned premiums	1,716,404	1,267,160
Other payables	370,859	2,717
	4,097,332	3,160,208
	4,097,332	3,160,208
Net Position	6,220,288	6,150,999
	6,220,288	6,150,999
Total liabilities and net position	\$ 10,317,620	\$ 9,311,207
	\$ 10,317,620	\$ 9,311,207

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

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Statements of Revenues, Expenses, and Change in Net Position
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Premiums earned	\$ 11,583,282	\$ 11,509,310
Premiums ceded	(6,930,113)	(7,113,231)
	<hr/>	<hr/>
Net premiums earned	4,653,169	4,396,079
Investment income	34,063	46,817
LHC fees	118,466	110,434
Other revenue	371,147	435,277
	<hr/>	<hr/>
Total revenues	5,176,845	4,988,607
	<hr/>	<hr/>
Expenses		
Claims expenses	4,374,142	4,513,475
Reinsurance and excess insurance proceeds	(221,976)	(500,919)
	<hr/>	<hr/>
Net incurred claims expenses	4,152,166	4,012,556
Administrative services	168,541	169,035
Claims administrator fees	64,013	83,630
Fees paid to LHC	118,466	110,434
Bank service charges and other	200,338	205,835
Professional fees	30,539	45,404
Actuarial fees	3,750	6,250
Policyholder dividends	369,743	500,000
	<hr/>	<hr/>
Total expenses	5,107,556	5,133,144
	<hr/>	<hr/>
Change in Net Position	69,289	(144,537)
Net Position, beginning of year	6,150,999	6,295,536
	<hr/>	<hr/>
Net Position, end of year	<u>\$ 6,220,288</u>	<u>\$ 6,150,999</u>

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

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Premiums received	\$ 12,036,382	\$ 9,347,902
Premiums paid	(7,183,984)	(7,218,357)
Investment activity	153,003	167,782
Other receipts	410,901	482,746
Claims paid	(4,228,895)	(4,770,576)
Reinsurance and excess insurance proceeds	214,117	535,491
Payments for fees and bank charges	(599,065)	(607,142)
Policyholder dividends paid	-	(500,000)
Net cash provided by (used in) operating activities	802,459	(2,562,154)
Cash Flows From Investing Activities		
Proceeds from sale and maturity of investment securities	3,795,717	3,914,530
Purchase of investment securities	(3,459,842)	(3,471,961)
Net cash provided by investing activities	335,875	442,569
Net Change in Cash and Cash Equivalents	1,138,334	(2,119,585)
Cash and Cash Equivalents, beginning of year	2,222,626	4,342,211
Cash and Cash Equivalents, end of year	\$ 3,360,960	\$ 2,222,626

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

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities:		
Change in net position	\$ 69,289	\$ (144,537)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Net depreciation in fair value of investments	15,213	17,208
Realized loss on investments	106,811	102,195
(Increase) Decrease in assets:		
Premiums receivable	3,856	(41,376)
Reinsurance receivables	(7,859)	-
Prepaid expenses	(266,904)	(105,126)
Other receivables	39,754	-
Escrow funds	(91,742)	(28,724)
Accrued interest	(3,083)	1,562
Increase (Decrease) in liabilities:		
Accounts payable	12,171	-
Unearned premiums	449,244	(2,104,438)
Unpaid claims liability	107,567	(257,101)
Deposits	-	(43,984)
Other payables	368,142	42,167
	<u>802,459</u>	<u>(2,562,154)</u>
Net cash provided by (used in) operating activities	<u>\$ 802,459</u>	<u>\$ (2,562,154)</u>

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

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 1-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 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 Program

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

Banking Pool

An arrangement by which governments pool funds and are allowed to borrow against those pooled funds to pay losses.

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, Inc. Group Self Insurance Risk Management Agency offers the following funds broken down by public entity risk pool:

Risk-Sharing Pools

Health Fund
Property Fund
General Liability Fund
Public Officials Liability Fund
Auto Fund

Insurance-Purchasing Programs

Long-Term Disability Fund
Life Insurance Fund
Workers' Compensation Fund

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 1-Public Entity Risk Pools (Continued)

In 1981, the Louisiana Legislature enacted Louisiana Revised Statutes (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 inter-local 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.

Participation in Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency (the “Agency”) is open to all housing authorities which are members of 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 Agency’s general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of inter-local risk management to obtain lower costs for that coverage.

Risk-Sharing Pools

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

The Health Fund had 46 and 49 housing authorities participating as of March 31, 2018 and 2017, respectively. Blue Cross Blue Shield of Louisiana performs the claims processing for the Health Fund.

The General Liability Fund had 102 housing authorities participating as of March 31, 2018 and 2017. VeriClaim performs claims processing for the General Liability Fund and maintains a “Loss Fund” account for payment of claims.

The Property Fund had 98 housing authorities participating as of March 31, 2018 and 2017, respectively. VeriClaim performs claims processing for the Property Fund and maintains a “Loss Fund” account for payment of claims.

The Public Officials Liability Fund had 86 and 84 housing authorities participating as of March 31, 2018 and 2017, respectively. VeriClaim performs claims processing for the Public Officials Liability Fund and maintains a “Loss Fund” account for payment of claims.

The Auto Fund had 24 and 23 housing authorities participating as of March 31, 2018 and 2017, respectively. VeriClaim performs claims processing for the Auto Fund and maintains a “Loss Fund” account for payment of claims.

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

Insurance-Purchasing Programs

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

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Net Position

The Agency is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The Agency applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Since the business of the Agency is essentially that of an insurance company having a business cycle greater than one year, the statement of net position is not presented in a classified format.

The Agency has implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the Agency's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future report period. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statements of net assets title is now referred to as the statements of net position. As of March 31, 2018 and 2017, the Agency had no deferred inflows or outflows.

B. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all cash on hand, financial institution deposits, and highly liquid debt instruments purchased with an original maturity of three months or less that are not included in an investment portfolio to be cash equivalents.

C. Investments

Investments are reported at fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at the time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized and unrealized gains and losses on investments recorded at estimated fair value are included in net investment income. Realized losses on all investments amounted to \$106,811 and \$102,195 for the years ended March 31, 2018 and 2017, respectively. See Note 5 for further discussion regarding fair value measurements.

D. Premium Income and Receivables

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. The costs associated with new and renewal contracts as acquisition costs are immaterial to the financial statements and are expensed when incurred.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 2-Summary of Significant Accounting Policies (Continued)

D. Premium Income and Receivables (Continued)

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management evaluates accounts receivable on a periodic basis and determines the necessity of an allowance for doubtful accounts based on history of past write-offs, collections, and current conditions. Receivables are written off when it is determined that all collection efforts have been exhausted. At March 31, 2018 and 2017, management deemed all premiums receivable and reinsurance receivables to be fully collectible and therefore did not establish an allowance.

E. Unpaid Claims Liability

(I) Health Fund, Property Fund, General Liability Fund, Public Officials Liability Fund, and Auto 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. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance and excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future 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.

(II) 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 and Excess Insurance

The funds in the risk-sharing pools purchase reinsurance and excess insurance policies to reduce exposure to large losses on insured events. Under excess policies, once claims reach the provided specific or aggregated stop loss limit, the liability transfers to the excess insurer. Reinsurance and excess insurance policies permit recovery of a portion of losses, although they do not discharge the primary liability of the individual funds as direct insurer of the risks. Funds do not report reinsured or excess insurance risks as liabilities unless it is probable that those costs will not be covered by insurance. The Agency evaluates the financial condition of its insured and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize their exposure to significant losses from insured insolvencies.

G. Income Taxes

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

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 2-Summary of Significant Accounting Policies (Continued)

H. Use of 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, the unpaid claims liability for all risk-sharing pools.

Note 3-Cash, Cash Equivalents and Investments

A. Agency

Cash and cash equivalents are stated at cost, which approximates market value. Under state law, the Agency may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Agency may purchase time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, invest in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

Under Louisiana Revised Statutes, the Agency may invest in obligations of the U.S. Treasury, obligations of U.S. Agencies which are guaranteed by the U.S. government or U.S. government agencies, repurchase agreements, certificates of deposit as mentioned above, investment grade commercial paper, investment grade corporate notes and bonds, and other investments as required by the terms of bond trust indentures.

B. Cash and Cash Equivalents

At March 31, 2018 and 2017, the carrying amount of the Agency's cash and cash equivalents was \$3,360,960 and \$2,222,626, respectively. At March 31, 2018 and 2017, the Agency had \$3,056,626 and \$1,985,084 in deposits (collected bank balances), respectively, which were fully secured from risk by the FDIC and pledged securities.

C. Investments

(I) Interest Rate Risk

The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table summarizes the Agency's segmented time distribution investment maturities in years by investment type, excluding money market funds, as of March 31, 2018 and 2017.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

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

C. Investments (Continued)

(I) Interest Rate Risk (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
March 31, 2018					
U.S. Treasury Notes	\$1,113,317	\$ -	\$ 1,113,317	\$ -	\$ -
U.S. Government Agency Bonds	1,411,977	303,761	1,108,216	-	-
U.S. Government Agency Notes	2,736,398	86,788	975,494	624,453	1,049,663
Corporate Bonds	<u>59,094</u>	<u>59,094</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$5,320,786</u>	<u>\$ 449,643</u>	<u>\$ 3,197,027</u>	<u>\$ 624,453</u>	<u>\$ 1,049,663</u>
March 31, 2017					
U.S. Treasury Notes	\$1,024,457	\$ 235,729	\$ 788,728	\$ -	\$ -
U.S. Government Agency Bonds	826,799	63,035	763,764	-	-
U.S. Government Agency Notes	3,660,197	-	1,485,741	1,003,184	1,171,272
Corporate Bonds	<u>150,754</u>	<u>126,438</u>	<u>24,316</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$5,662,207</u>	<u>\$ 425,202</u>	<u>\$3,062,549</u>	<u>\$1,003,184</u>	<u>\$1,171,272</u>

(II) Credit Risk

The following table is provided for use in determining the Agency's level of exposure to credit risk as of March 31:

<u>S&P Rating</u>	<u>Fair Value at 2018</u>	<u>Fair Value at 2017</u>
Government	<u>\$ 5,261,692</u>	<u>\$5,511,453</u>
Unrated	<u>\$ 59,094</u>	<u>\$ 150,754</u>

(III) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investments are held by the custodial bank as an agent for the Agency, in the Agency's name and are thereby not exposed to custodial credit risk.

(IV) Concentration of Credit Risk

The Agency places no limit on the amount that may be invested in any one issuer. The Agency has no investments in any single organization (other than those issued or guaranteed by the U.S. Government) that represent five percent or more of the Agency's total assets.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 4-Unpaid Claims Liability

The following represents activity in the Agency's liability for losses and loss adjustment expense for the years ended March 31, 2018 and 2017:

<u>March 31, 2018</u>	<u>Health Fund</u>	<u>Property Fund</u>	<u>General Liability Fund</u>	<u>Auto Fund</u>	<u>Public Officials Liability Fund</u>	<u>Total</u>
Unpaid claims at March 31, 2017	\$ 193,366	\$ 580,821	\$ 1,014,815	\$ 19,868	\$ 39,296	\$ 1,848,166
Incurring claims and claims adjustment expenses of the current period	2,737,500	1,358,148	172,086	127,511	67,500	4,462,745
Decreases in provision for insured events of prior years	(41,696)	(279,517)	(1,571)	(9,228)	21,436	(310,576)
Total incurred claims and claims adjustment expense	<u>2,695,804</u>	<u>1,078,631</u>	<u>170,515</u>	<u>118,283</u>	<u>88,936</u>	<u>4,152,169</u>
Payments for claims and claims adjustment expenses attributable to:						
Insured events of current year	(2,390,533)	(934,200)	(596)	(27,790)	(6,674)	(3,359,793)
Insured events of prior years	(151,670)	(240,228)	(248,186)	(5,991)	(38,734)	(684,809)
Total payments and claims adjustment expenses	<u>(2,542,203)</u>	<u>(1,174,428)</u>	<u>(248,782)</u>	<u>(33,781)</u>	<u>(45,408)</u>	<u>(4,044,602)</u>
Total unpaid claims at March 31, 2018	<u>\$ 346,967</u>	<u>\$ 485,024</u>	<u>\$ 936,548</u>	<u>\$ 104,370</u>	<u>\$ 82,824</u>	<u>\$ 1,955,733</u>
<u>March 31, 2017</u>	<u>Health Fund</u>	<u>Property Fund</u>	<u>General Liability Fund</u>	<u>Auto Fund</u>	<u>Public Officials Liability Fund</u>	<u>Total</u>
Unpaid claims at March 31, 2016	\$ 278,373	\$ 533,536	\$ 1,293,358	\$ -	\$ -	\$ 2,105,267
Incurring claims and claims adjustment expenses of the current period	3,009,428	1,249,022	233,688	27,995	55,898	4,576,031
Decreases in provision for insured events of prior years	(16,504)	(225,311)	(321,660)	-	-	(563,475)
Total incurred claims and claims adjustment expense	<u>2,992,924</u>	<u>1,023,711</u>	<u>(87,972)</u>	<u>27,995</u>	<u>55,898</u>	<u>4,012,556</u>
Payments for claims and claims adjustment expenses attributable to:						
Insured events of current year	(2,816,062)	(739,745)	(15,109)	(8,127)	(16,602)	(3,595,645)
Insured events of prior years	(261,869)	(236,681)	(175,462)	-	-	(674,012)
Total payments and claims adjustment expenses	<u>(3,077,931)</u>	<u>(976,426)</u>	<u>(190,571)</u>	<u>(8,127)</u>	<u>(16,602)</u>	<u>(4,269,657)</u>
Total unpaid claims at March 31, 2017	<u>\$ 193,366</u>	<u>\$ 580,821</u>	<u>\$ 1,014,815</u>	<u>\$ 19,868</u>	<u>\$ 39,296</u>	<u>\$ 1,848,166</u>

Louisiana Housing Council, Inc.
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Note 5-Fair Value Measurements

The Agency follows GASB No. 72, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Agency determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level 2: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level 3: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

Following is a description of the valuation methodologies used for assets at fair value. There has been no change in the methodologies used at March 31, 2018 and 2017:

Government Securities:

Valued based on quoted market prices when available or is based on yields currently available on comparable securities or on an industry valuation model, which maximizes observable inputs.

Corporate Bonds:

Valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustment for certain risks that may not be observable, such as credit and liquidity risks.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
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March 31, 2018

Note 5-Fair Value Measurements (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis for the year ended March 31, 2018 and 2017 are as follows:

<u>March 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities				
U.S. Treasury Notes	\$ 1,113,317	\$ -	\$ -	\$ 1,113,317
U.S. Government Agency Bonds	-	1,411,977	-	1,411,977
U.S. Government Agency Notes	-	2,736,398	-	2,736,398
Corporate Bonds	-	59,094	-	59,094
Total investments at fair value	<u>\$ 1,113,317</u>	<u>\$ 4,207,469</u>	<u>\$ -</u>	<u>5,320,786</u>
Money Market Funds				<u>134,151</u>
Total investments				<u>\$ 5,454,937</u>
<u>March 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities				
U.S. Treasury Notes	\$ 1,024,457	\$ -	\$ -	\$ 1,024,457
U.S. Government Agency Bonds	-	826,799	-	826,799
U.S. Government Agency Notes	-	3,660,197	-	3,660,197
Corporate Bonds	-	150,754	-	150,754
Total investments at fair value	<u>\$ 1,024,457</u>	<u>\$ 4,637,750</u>	<u>\$ -</u>	<u>5,662,207</u>
Money Market Funds				<u>250,629</u>
Total investments				<u>\$ 5,912,836</u>

Note 6-Reinsurance and Excess Insurance Policy Coverage for Risk – Sharing Pools

A. Health Fund

At March 31, 2018 and 2017, the Fund had reinsurance with each participant having a lifetime maximum coverage of \$2,000,000. The self-insured retention is \$75,000 and \$70,000 for each individual, respectively, for those years. Premiums ceded to reinsurers during the years ended March 31, 2018 and 2017 were \$877,279 and \$790,216, respectively, and the amount deducted from claims was \$221,976 and \$500,919, respectively. All of the reinsurance activity was with a single reinsurer. The anticipated recoverable amount as of March 31, 2018 and 2017 was \$75,465 and \$67,606, respectively.

Louisiana Housing Council, Inc.
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Notes to Financial Statements
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Note 6-Reinsurance and Excess Insurance Policy Coverage for Risk – Sharing Pools (Continued)

B. Property Fund

At March 31, 2018 and 2017, the Fund had excess insurance with a self-insured retention of \$150,000 and \$175,000, respectively, for each specific event and aggregate stop losses of \$1,250,000 for the policy periods with the exception of named windstorms in tiers 1 & 2, which had a deductible of 5% of the building values at the time of loss subject to a \$250,000 minimum deductible. Premiums ceded to excess insurers during the years ended March 31, 2018 and 2017, were \$4,129,367 and \$4,563,495, respectively. The policy period runs from April 1st to March 31st of each year. Excess insurance activity was with multiple excess carriers. There were no anticipated recoverable amounts at March 31, 2018 and 2017.

C. General Liability Fund

At March 31, 2018 and 2017, the General Liability Fund had excess insurance with a self-insured retention of \$50,000 for each specific event and an aggregate stop loss for each year of \$520,000 for the policy periods. Premiums ceded to excess insurers during the years ended March 31, 2018 and 2017 were \$598,891 and \$590,792, respectively. The policy period runs from April 1st to March 31st of each year. Excess insurance activity was with a single reinsurer. At March 31, 2018 and 2017, there was \$4,672 in anticipated recoverable amounts.

D. Public Officials Liability Fund

At March 31, 2018 and 2017, the Public Officials Liability Fund had excess insurance with a self-insured retention of \$25,000 for each specific event and an aggregate stop loss for the year of \$100,000. Premiums ceded to excess insurers during the years ended March 31, 2018 and 2017 were \$190,650 and \$175,472, respectively. There were no anticipated recoverable amounts at March 31, 2018 and 2017.

E. Auto Fund

At March 31, 2018 and 2017, the Auto Fund had excess insurance with a self-insured retention of \$10,000 for each specific event and an aggregate stop loss for the year of \$115,500 and \$55,079, respectively. Premiums ceded to excess insurers during the year ended March 31, 2018 and 2017 were \$266,824 and \$173,047, respectively. At March 31, 2018 and 2017, there were no anticipated recoverable amounts.

Note 7-Related Party Transactions

Louisiana Housing Council, Inc., (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, through administration of the Agency. The Property, General Liability, Public Officials Liability, and Auto Funds pay a fee to LHC based on housing authorities' participation in the pool of Property, General Liability, Public Officials Liability, and Auto trust. These fees are recognized when the policies are billed. Total fees for the years ended March 31, 2018 and 2017 were \$118,466 and \$110,434, respectively.

Arthur J. Gallagher Risk Management Services, Inc. is a third-party service agent that performs the risk management and administrative functions of the Agency. Fees for their services are based on different criteria for each type of insurance coverage. The Agency also purchased certain insurance policies from Arthur J. Gallagher Risk Management Services, Inc. Total amounts paid for policies and fees for the years ended March 31, 2018 and 2017 were \$168,541 and \$169,035, respectively.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2018

Note 8-Contingencies

During the normal course of business, the Agency becomes involved in various insurance related claims and legal actions. Management of the Agency establishes estimated liabilities for reported and unreported contingencies. Management believes that the outcome of claims and any related legal proceedings will be provided for by the estimated insurance liabilities and will not have a material adverse effect on the Agency's financial position or results of operations.

Note 9-Subsequent Events

The Agency evaluated all subsequent events through September 21, 2018, the date the financial statements were available to be issued. As a result, the Agency noted no subsequent events that required adjustments to, or disclosure in, these financial statements.

Required Supplementary Information

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
Health Fund - For the Year Ended March 31
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands)									
Net premiums earned, investment income, and other revenue	\$ 2,800	\$ 2,989	\$ 2,811	\$ 2,603	\$ 2,760	\$ 2,726	\$ 2,751	\$ 2,713	\$ 2,582	\$ 2,616
Unallocated expenses	33	45	45	95	195	181	174	163	141	125
Estimated claims and expenses, end of policy year										
Incurred	2,960	3,510	3,141	3,289	3,911	2,538	2,597	2,586	2,191	2,004
Ceded	(222)	(501)	(209)	(782)	(1,128)	(194)	(63)	(256)	(112)	(385)
Net incurred	2,738	3,009	2,932	2,507	2,783	2,344	2,534	2,330	2,079	1,619
Paid (cumulative) as of:										
End of policy year	2,391	2,816	2,654	2,344	2,544	2,043	2,307	2,179	1,790	1,422
One year later		2,968	2,916	2,499	2,804	2,306	2,715	2,405	1,901	1,514
Two years later			2,916	2,499	2,804	2,306	2,715	2,405	1,901	1,514
Three years later				2,499	2,804	2,306	2,715	2,405	1,901	1,514
Four years later					2,804	2,306	2,715	2,405	1,901	1,514
Five years later						2,306	2,715	2,405	1,901	1,514
Six years later							2,715	2,405	1,901	1,514
Seven years later								2,405	1,901	1,514
Eight years later									1,901	1,514
Nine years later										1,514
Re-estimated ceded claims and expenses	222	501	209	782	1,128	194	63	256	112	385
Re-estimated net incurred claims and expenses										
End of policy year	2,738	3,009	2,932	2,507	2,783	2,344	2,534	2,330	2,079	1,619
One year later		2,968	2,916	2,499	2,804	2,306	2,715	2,405	1,901	1,514
Two years later			2,916	2,499	2,804	2,306	2,715	2,405	1,901	1,514
Three years later				2,499	2,804	2,306	2,715	2,405	1,901	1,514
Four years later					2,804	2,306	2,715	2,405	1,901	1,514
Five years later						2,306	2,715	2,405	1,901	1,514
Six years later							2,715	2,405	1,901	1,514
Seven years later								2,405	1,901	1,514
Eight years later									1,901	1,514
Nine years later										1,514
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	(41)	(16)	(8)	21	(38)	181	75	(178)	(105)

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
General Liability Fund - For the Year Ended March 31
(Unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	(in thousands)									
Net premiums earned, investment income, and other revenue	\$ 623	\$ 643	\$ 667	\$ 671	\$ 639	\$ 630	\$ 622	\$ 896	\$ 887	\$ 732
Unallocated expenses	219	228	904	163	164	164	142	132	221	421
Estimated claims and expenses, end of policy year										
Incurred	172	234	342	545	525	300	119	268	186	218
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	172	234	342	545	525	300	119	268	186	218
Paid (cumulative) as of:										
End of policy year	1	15	20	6	9	23	16	11	27	31
One year later		85	59	55	45	41	44	165	73	60
Two years later			102	63	95	74	116	124	118	62
Three years later				83	143	118	219	164	229	63
Four years later					169	140	245	201	268	55
Five years later						141	265	289	298	55
Six years later							305	323	327	55
Seven years later								370	327	56
Eight years later									327	56
Nine years later										56
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses										
End of policy year	172	234	342	545	525	300	119	268	186	218
One year later		240	207	284	497	265	368	396	198	169
Two years later			286	190	353	259	486	330	241	143
Three years later				167	284	203	431	490	328	123
Four years later					257	213	348	505	370	90
Five years later						207	326	456	391	88
Six years later							322	450	326	87
Seven years later								417	327	55
Eight years later									327	56
Nine years later										56
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	6	(56)	(378)	(268)	(93)	203	149	141	(162)

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
Property Fund - For the Year Ended March 31
(Unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	(in thousands)									
Net premiums earned, investment income, and other revenue	\$ 1,170	\$ 813	\$ 741	\$ (10)	\$ 1,119	\$ 898	\$ 1,114	\$ 1,694	\$ 1,509	\$ 1,604
Unallocated expenses	161	197	114	126	1,276	142	427	281	633	1,163
Estimated claims and expenses, end of policy year										
Incurred	1,358	1,249	1,285	1,354	887	1,031	594	737	1,077	1,180
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	1,358	1,249	1,285	1,354	887	1,031	594	737	1,077	1,180
Paid (cumulative) as of:										
End of policy year	934	740	800	478	484	689	358	499	609	607
One year later		979	1,022	927	670	909	397	749	955	797
Two years later			1,023	942	590	1,060	397	763	960	834
Three years later				942	590	1,060	397	763	960	948
Four years later					590	1,060	397	763	960	956
Five years later						1,060	397	763	960	956
Six years later							397	763	960	956
Seven years later								763	960	956
Eight years later									960	956
Nine years later										956
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses										
End of policy year	1,358	1,249	1,285	1,354	887	1,031	594	737	1,077	1,180
One year later		1,047	1,075	975	669	1,055	405	786	991	866
Two years later			1,011	960	590	1,055	397	763	960	846
Three years later				941	590	1,060	397	763	970	948
Four years later					590	1,060	397	763	960	956
Five years later						1,060	397	763	960	956
Six years later							397	763	960	956
Seven years later								763	960	956
Eight years later									960	956
Nine years later										956
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	(202)	(274)	(413)	(297)	29	(197)	26	(117)	(224)

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information *
Public Officials Liability Fund - For the Year Ended March 31
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
	(in thousands)		
Net premiums earned, investment income and other revenue	\$ 94	\$ 55	\$ 92
Unallocated expenses	16	17	12
Estimated claims and expenses, end of policy year			
Incurred	68	56	-
Ceded	-	-	-
Net incurred	<u>68</u>	<u>56</u>	<u>-</u>
Paid (cumulative) as of:			
End of policy year	7	17	-
One year later		38	-
Two years later			17
Three years later			
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
Re-estimated ceded claims and expenses	-	-	-
Re-estimated net incurred claims and expenses			
End of policy year	68	56	-
One year later		57	-
Two years later			21
Three years later			
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	1	21

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

* The Agency created the Public Officials Liability Fund effective September 1, 2015. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information *
Auto Liability Fund - For the Year Ended March 31
(Unaudited)

	2018	2017
	(in thousands)	
Net premiums earned, investment income and other revenue	\$ 134	\$ 77
Unallocated expenses	12	8
Estimated claims and expenses, end of policy year		
Incurred	128	28
Ceded	-	-
Net incurred	128	28
Paid (cumulative) as of:		
End of policy year	28	8
One year later		14
Two years later		
Three years later		
Four years later		
Five years later		
Six years later		
Seven years later		
Eight years later		
Nine years later		
Re-estimated ceded claims and expenses	-	-
Re-estimated net incurred claims and expenses		
End of policy year	128	28
One year later		19
Two years later		
Three years later		
Four years later		
Five years later		
Six years later		
Seven years later		
Eight years later		
Nine years later		
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	(9)

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

* The Agency created the Auto Liability Fund effective April 1, 2016. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Supplementary Information

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Combining Statement of Net Position
March 31, 2018

	Workers' Comp Fund	Health Fund	Auto Fund	Property Fund	General Liability Fund	Public Officials Liability Fund	2018 Total
Assets							
Cash and cash equivalents	\$ 153,994	\$ 803,601	\$ 274,955	\$ 1,541,281	\$ 451,031	\$ 136,098	\$ 3,360,960
Investments	944,278	1,933,320	-	54,092	2,523,247	-	5,454,937
Due (to) from Other LHC Funds	181,600	(39,757)	(1,356)	(99,078)	(43,284)	1,875	-
Premiums receivable	36,590	8,704	5,003	-	-	36,410	86,707
Reinsurance and excess insurance receivables	-	75,465	-	-	4,672	-	80,137
Other receivables	348,130	-	-	-	2,161	-	350,291
Prepaid expenses	437,386	74,096	2,283	31,896	213,339	83,301	842,301
Escrow funds	-	-	8,223	77,953	37,168	7,122	130,466
Accrued interest	1,827	3,868	-	71	6,055	-	11,821
Total assets	\$ 2,103,805	\$ 2,859,297	\$ 289,108	\$ 1,606,215	\$ 3,194,389	\$ 264,806	\$ 10,317,620
Liabilities							
Accounts payable	\$ -	\$ 23,180	\$ 13,948	\$ 15,410	\$ 913	\$ 885	\$ 54,336
Unpaid claims liability	-	346,967	104,370	485,024	936,548	82,824	1,955,733
Unearned premiums	(39,880)	-	139,483	1,271,934	215,215	129,652	1,716,404
Other payables	369,743	-	-	-	1,116	-	370,859
Total liabilities	329,863	370,147	257,801	1,772,368	1,153,792	213,361	4,097,332
Net Position	1,773,942	2,489,150	31,307	(166,153)	2,040,597	51,445	6,220,288
Total liabilities and net position	\$ 2,103,805	\$ 2,859,297	\$ 289,108	\$ 1,606,215	\$ 3,194,389	\$ 264,806	\$ 10,317,620

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Combining Statement of Revenues, Expenses, and Change in Net Position
Year Ended March 31, 2018

	Workers' Comp Fund	Health Fund	Auto Fund	Property Fund	General Liability Fund	Public Officials Liability Fund	2018 Total
Revenues							
Premiums earned	\$ 858,508	\$ 3,646,768	\$ 400,015	\$ 5,212,061	\$ 1,188,425	\$ 277,505	\$ 11,583,282
Premiums ceded	(854,069)	(877,279)	(279,857)	(4,129,367)	(598,891)	(190,650)	(6,930,113)
Net premiums earned	4,439	2,769,489	120,158	1,082,694	589,534	86,855	4,653,169
Investment income	4,083	13,923	-	3,109	12,948	-	34,063
LHC fees	3,325	-	6,263	84,631	18,097	6,150	118,466
Other revenue	351,609	16,105	378	-	2,396	659	371,147
Total revenues	363,456	2,799,517	126,799	1,170,434	622,975	93,664	5,176,845
Expenses							
Claims expenses	-	2,917,780	118,282	1,078,630	170,515	88,935	4,374,142
Reinsurance and excess insurance proceeds	-	(221,976)	-	-	-	-	(221,976)
Net incurred claims expenses	-	2,695,804	118,282	1,078,630	170,515	88,935	4,152,166
Administrative services	20,000	12,541	2,283	31,896	98,269	3,552	168,541
Claims administrator fees	-	2,763	4,670	35,725	18,380	2,475	64,013
Fees paid to LHC	3,325	-	6,263	84,631	18,097	6,150	118,466
Bank service charges and other	91,737	12,423	3,391	6,032	83,504	3,251	200,338
Professional fees	22,500	5,519	180	1,350	900	90	30,539
Actuarial fees	-	-	1,000	1,250	1,500	-	3,750
Policyholder dividends	369,743	-	-	-	-	-	369,743
Total expenses	507,305	2,729,050	136,069	1,239,514	391,165	104,453	5,107,556
Change in Net Position	(143,849)	70,467	(9,270)	(69,080)	231,810	(10,789)	69,289
Net Position							
Beginning of year	1,917,791	2,418,683	40,577	(97,073)	1,808,787	62,234	6,150,999
End of year	\$ 1,773,942	\$ 2,489,150	\$ 31,307	\$ (166,153)	\$ 2,040,597	\$ 51,445	\$ 6,220,288

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2018

Loss Ratio	<u>Incurring Losses and Loss Adjustment Expense</u>	<u>\$ 3,953,733</u>	Loss Ratio	<u>0.85</u>
	Net Premiums Earned	\$ 4,653,169		
Expense Ratio	<u>Expenses (excluding expenses related to losses)</u>	<u>\$ 955,390</u>	Expense Ratio	<u>0.21</u>
	Net Premiums Earned	\$ 4,653,169		
Combined Ratio	<u>Loss Ratio + Expense Ratio</u>	<u>0.85 + 0.21</u>	Combined Ratio	<u>1.06</u>
Net Investment Income Ratio	<u>Net Investment Income</u>	<u>\$ 34,063</u>	Net Investment Income Ratio	<u>0.01</u>
	Net Premiums Earned	\$ 4,653,169		
Operating Ratio	<u>Combined Ratio - Net Investment Income Ratio</u>	<u>1.06 - 0.01</u>	Operating Ratio	<u>1.05</u>
Yield on Invested Assets	<u>Net Investment Income</u>	<u>\$ 34,063</u>	Yield on Invested Assets	<u>0.01</u>
	Investments	\$ 5,454,937		
Change in Net Position	<u>Change in Net Position</u>	<u>\$ 69,289</u>	Change in Net Position	<u>0.01</u>
	Previous Year's Net Position	\$ 6,150,999		
Return on Net Position	<u>Change in Net Position</u>	<u>\$ 69,289</u>	Return on Net Position	<u>0.01</u>
	Previous Year's Net Position	\$ 6,150,999		
Net Premiums Written to Net Position	<u>Net Premiums Written</u>	<u>\$ 4,653,169</u>	Net Premiums Written to Net Position	<u>0.75</u>
	Net Position	\$ 6,220,288		
Current Liability	<u>Cash and Cash Equivalents + Investments</u>	<u>\$ 8,815,897</u>	Current Liability	<u>2.40</u>
	Unearned Premium + Unpaid Claims Liability	\$ 3,672,137		

**Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended March 31, 2018**

Agency Head Name: Frank Wilcox, Board Chairman

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	1,670
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Insurance Committee
Louisiana Housing Council, Inc. Group
Self Insurance Risk Management Agency
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency, which comprise the statements of net position as of March 31, 2018 and 2017, and the related statements of revenues, expenses, and change in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 21, 2018

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule of Findings and Responses
March 31, 2018

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency, as of and for the year ended March 31, 2018, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II. Findings related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- 1) No findings were noted.

Louisiana Housing Council, Inc.
Group Self Insurance Risk Management Agency
Schedule of Prior Year Findings and Responses
March 31, 2018

Part I. Findings related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- 1) No findings were noted.
- 2) A management letter was not issued.