

Louisiana Housing Council, Inc.
Group Self-Insurance
Risk Management Agency
March 31, 2022

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency (the "Agency"), which comprise the statement of net position as of March 31, 2022, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency as of March 31, 2022, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 and the schedule of 1 – 10 year claims development information on pages 23 through 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of net position, combining statement of revenues, expenses, and change 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 May 8, 2023, 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 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 Louisiana Housing Council, Inc. Group Self-Insurance Risk Management 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.

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

May 8, 2023

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Management’s Discussion and Analysis
March 31, 2022

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, 2022. 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. is an association of City and Parish Public Housing Authorities in the State of Louisiana, whose members that choose to do so, participate in programs to purchase certain types of insurance coverage through the Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency. The Agency was originally formed in 1994 and currently offers coverage for Fire and Extended Coverage (Property), General Liability, Auto, Public Officials Liability, and Workers’ Compensation. 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 98 and 94 authorities, respectively.

A committee of 5 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
	At March	At March	Increase
	<u>31, 2022</u>	<u>31, 2021</u>	<u>(Decrease)</u>
Cash and Investments	8.22	10.65	-22.82%
Unpaid Claims Liability	2.64	2.56	3.13%
Unearned Premiums	0.62	3.45	-82.03%
Net Position	5.34	4.99	7.01%
	Fiscal	Fiscal	Percentage
	Year	Year	Increase
	<u>2022</u>	<u>2021</u>	<u>(Decrease)</u>
Premium Income	11.59	9.69	19.61%
Premiums Ceded and Insurance			
Policies Purchased	9.04	7.38	22.49%
Net Investment Income (Loss)	-0.10	0.03	-433.33%
Net Incurred Claims Expense	1.82	2.41	-24.48%
Administrative, Legal and Overhead Fees	0.45	0.49	-8.16%
Change in Net Position Prior to Dividends	0.83	0.26	219.23%
Policyholder Dividends	0.48	0.45	6.67%
Change in Net Position	0.35	-0.05	800.00%

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Management’s Discussion and Analysis
March 31, 2022

Financial Highlights (Continued)

As shown above, cash and investments decreased by 22.82%, mostly due to the timing of pre-paid fiscal member premium payments (which is illustrated by the decrease in unearned premiums) and slight premium increases.

There was a 19.61% increase in premiums earned for all coverages due to the increase in all premiums. Premiums ceded increased 22.49%. Net claims expense decreased 24.48% in 2022.

The following table shows net claims expense by fund over the past two years:

	Fiscal Year <u>2022</u>	Fiscal Year <u>2021</u>
Property Fund	\$ 1,096,918	\$ 2,109,506
General Liability	544,917	266,488
Public Officials	179,007	28,964
Auto	<u> -</u>	<u> 1,278</u>
Net incurred claims expense	<u>\$ 1,820,842</u>	<u>\$ 2,406,236</u>

Administrative, legal, and overhead fees decreased approximately \$40,000, or 8.16%. Investment activity for fiscal year 2022 reflects a loss of approximately \$99,000, which is consistent with the overall investment environment for the current fiscal year.

The overall change in net position excluding policyholder dividends and transfers out of the Agency for the 2022 fiscal year was an increase of approximately \$828,000. This increase is primarily attributable to the decrease in claims expense.

The Agency’s insurance programs have a combined net position of \$5.34 million as of March 31, 2022.

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 Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents 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 Statement of Revenues, Expenses, and Change in Net Position presents the results of the insurance operations for the most recent fiscal year. 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, 2022

Basic Financial Statements (Continued)

The Statement of Cash Flows presents information showing how cash changed throughout the fiscal year as a result of operations and investing.

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:

Bobby R. Collins, MBA, CPM, CME, CMPO
LHC Insurance Committee Chairman
c/o Shreveport Housing Authority
2500 Line Avenue
Shreveport, LA 71104

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Statement of Net Position
March 31, 2022

Assets	
Cash and cash equivalents	\$ 8,218,654
Investments	3,859,984
Premiums receivable	16,859
Excess insurance receivable	145,822
Due from related party	38,580
Other receivables	479,828
Prepaid expenses	91,194
Escrow funds	60,743
Accrued interest	<u>10,602</u>
 Total assets	 <u><u>\$ 12,922,266</u></u>
Liabilities	
Accounts payable	\$ 23,939
Unpaid claims liability	2,637,432
Excess carrier payments - payable to members	3,827,282
Unearned premiums	616,550
Other payables	<u>479,228</u>
 Total liabilities	 7,584,431
 Net Position	 <u><u>5,337,835</u></u>
 Total liabilities and net position	 <u><u>\$ 12,922,266</u></u>

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

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Statement of Revenues, Expenses, and Change in Net Position
Year Ended March 31, 2022

Revenues	
Premiums earned	\$ 11,591,637
Premiums ceded	<u>(9,040,056)</u>
Net premiums earned	2,551,581
Net investment income (loss)	(98,965)
LHC fees	164,967
Other revenue	<u>479,250</u>
Net revenues	<u>3,096,833</u>
Expenses	
Claims expenses	1,820,842
Administrative services	10,000
Claims administrator fees	32,351
Fees paid to LHC	164,967
Investment fees and other expenses	126,060
Professional fees	103,973
Actuarial fees	10,500
Policyholder dividends	<u>479,227</u>
Total expenses	<u>2,747,920</u>
Change in Net Position	<u>348,913</u>
Net Position, beginning of year	6,399,849
Transfers	
Transfer Health Fund to Louisiana Housing Council, Inc. Benefits Plan	<u>(1,410,927)</u>
Net Position, end of year	<u>\$ 5,337,835</u>

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

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Statement of Cash Flows
Year Ended March 31, 2022

Cash Flows from Operating Activities	
Premiums received	\$ 9,004,914
Premiums paid	(8,813,129)
Investment activity	96,435
Other receipts	452,700
Claims paid	(1,743,062)
Excess insurance proceeds	(32,027)
Payments for fees and bank charges	(279,456)
Policyholder dividends paid	<u>(452,678)</u>
Net cash used in operating activities	<u>(1,766,303)</u>
Cash Flows from Investing Activities	
Proceeds from sale and maturity of investment securities	2,055,446
Purchase of investment securities	<u>(2,131,993)</u>
Net cash used in investing activities	<u>(76,547)</u>
Cash Flows from Financing Activities	
Excess carrier payments - payable to members	<u>3,383,241</u>
Net cash provided by financing activities	<u>3,383,241</u>
Net Change in Cash and Cash Equivalents	1,540,391
Cash and Cash Equivalents, beginning of year	<u>6,678,263</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 8,218,654</u></u>
Reconciliation of Change in Net Position to Net Cash	
Used in Operating Activities:	
Change in net position	\$ 348,913
Adjustments to reconcile change in net position to net cash used in operating activities:	
Net depreciation in fair value of investments	151,656
Realized loss on investments	38,340
(Increase) Decrease in assets:	
Premiums receivable	249,381
Excess insurance receivable	(32,027)
Prepaid expenses	226,927
Other receivables	(26,550)
Escrow funds	(18,585)
Accrued interest	5,404
Increase (Decrease) in liabilities:	
Accounts payable	22,012
Unearned premiums	(2,836,104)
Unpaid claims liability	77,780
Other payables	<u>26,550</u>
Net cash used in operating activities	<u><u>\$ (1,766,303)</u></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, 2022

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 cost 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, Inc. Group Self-Insurance Risk Management Agency offers coverages through the following funds:

Risk-Sharing Pools
Property Fund
General Liability Fund
Public Officials Liability Fund

Insurance-Purchasing Programs
Workers’ Compensation Fund
Auto Fund

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

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 Property Fund had 94 housing authorities participating as of March 31, 2022. Sedgwick Claims Management Services, Inc. performs claims processing for the Property Fund and maintains a “Loss Fund” account for payment of claims.

The General Liability Fund had 98 housing authorities participating as of March 31, 2022. Sedgwick Claims Management Services, Inc. performs claims processing for the General Liability Fund and maintains a “Loss Fund” account for payment of claims.

The Public Officials Liability Fund had 85 housing authorities participating as of March 31, 2022. Sedgwick Claims Management Services, Inc. performs claims processing for the Public Officials Liability 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 programs include the Workers’ Compensation Fund and Auto Fund, which are comprised of members of Louisiana Housing Council, Inc. The Auto Fund switched from a risk-sharing pool to an insurance-purchasing program effective April 1, 2019. The Funds receive premiums from the housing authorities and pool the funds to purchase commercial insurance products.

Effective April 1, 2021, the LHC insurance committee transferred \$1,410,927 of net position out of the Agency to separately report the operations of the Louisiana Housing Council, Inc. Benefits Plan which provides health coverage to participating housing authorities.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

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 follows 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 reporting period. As of March 31, 2022, the Agency had no deferred inflows or outflows.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined as 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.

C. Investments

Investments are reported at fair value. Fair value is based on the last reported sales price if available; if not available, fair value is estimated. Realized and unrealized gains and losses on investments recorded at estimated fair value are included in net investment income (loss). 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, 2022

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, 2022, management deemed all premiums receivable and excess insurance receivables to be fully collectible and therefore did not establish an allowance.

E. Unpaid Claims Liability

(I) Property Fund, General Liability Fund, 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. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future 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 purchase insurance from various commercial insurance companies to pay claims on a first-dollar basis; therefore, no reserve for unpaid claims liability has been established.

F. Excess Insurance

The funds in the risk-sharing pools purchase excess insurance policies to reduce exposure to large losses on insured events. Under excess policies, once claims reach the provided specific or aggregate stop loss limit, the liability transfers to the excess insurer. In the case of excess property insurance, once the aggregated stop loss is breached, each claim thereafter is subject to a maintenance deductible of \$25,000. These excess contracts do not relieve the Agency from its obligations to policyholders. Failure of excess carriers to honor their obligations could result in losses to the Agency. The Agency evaluates the financial condition of its excess carriers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize its exposure to significant losses from excess carrier insolvencies.

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, 2022

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-Deposits and Investments

The Agency must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Agency shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Agency was in compliance with these provisions during the year ended March 31, 2022.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Agency may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Agency may also make investments in bonds or debentures provided certain conditions are met regarding credit quality.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Agency's exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Agency as of March 31, 2022:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Amortized Cost</u>
U.S. Treasury Notes	\$ 1,297,504	\$ 1,339,073
U.S. Government agency debt obligations	553,156	562,971
U.S. Government mortgage backed securities	1,599,934	1,663,196
Corporate Bonds	284,156	295,236
Money Market Funds	<u>125,234</u>	<u>125,234</u>
	<u>\$ 3,859,984</u>	<u>\$ 3,985,710</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

Note 3-Deposits and Investments (Continued)

(I) Custodial Credit Risk

Custodial credit risk for cash and cash equivalents is the risk that in the event of financial institution failure, the Agency's deposits may not be returned to them. The Agency has no custodial risk with respect to demand deposits accounts at March 31, 2022. The Agency's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments that is in the possession of an outside party. At March 31, 2022, the Agency's investments in government debt obligations are exposed to custodial credit risk because they are held by a counterparty.

(II) Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

All of the Agency's investments with the exception of money market and corporate bond investments are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. The Agency had no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government. The investment in corporate bonds is rated Aaa by Moody's Investor Service. All other investments do not require credit quality rating.

(III) Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. In some instances, actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The following table shows the Agency's fixed income investments and maturities in actively-managed accounts at March 31, 2022:

<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>
U.S. Treasury Notes	\$ 1,297,504	\$ 375,694	\$ 921,810	\$ -	\$ -
U.S. Government agency debt obligations	553,156	236,555	316,601	-	-
U.S. Government mortgage backed securities	1,599,934	10,079	482,637	687,631	419,587
Corporate Bonds	284,156	88,253	195,903	-	-
Money Market Funds	<u>125,234</u>	<u>125,234</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 3,859,984</u>	<u>\$ 835,815</u>	<u>\$ 1,916,951</u>	<u>\$ 687,631</u>	<u>\$ 419,587</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

Note 4-Unpaid Claims Liability

The following represents activity in the Agency's liability for losses and loss adjustment expense for the year ended March 31, 2022:

	Property Fund	General Liability Fund	Officials Liability Fund	Total
Unpaid claims at March 31, 2021	<u>\$ 1,655,259</u>	<u>\$ 836,329</u>	<u>\$ 68,064</u>	<u>\$ 2,559,652</u>
Incurred claims and claims adjustment expenses of the current period	1,296,564	474,875	82,733	1,854,172
Changes in provision for insured events of prior years	<u>(199,646)</u>	<u>70,042</u>	<u>96,273</u>	<u>(33,331)</u>
Total incurred claims and claims adjustment expense	<u>1,096,918</u>	<u>544,917</u>	<u>179,006</u>	<u>1,820,841</u>
Payments for claims and claims adjustment expenses attributable to:				
Insured events of current year	(366,576)	(12,980)	(6,879)	(386,435)
Insured events of prior years	<u>(1,103,095)</u>	<u>(235,386)</u>	<u>(18,145)</u>	<u>(1,356,626)</u>
Total payments and claims adjustment expenses	<u>(1,469,671)</u>	<u>(248,366)</u>	<u>(25,024)</u>	<u>(1,743,061)</u>
Total unpaid claims at March 31, 2022	<u>\$ 1,282,506</u>	<u>\$ 1,132,880</u>	<u>\$ 222,046</u>	<u>\$ 2,637,432</u>

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. This standard 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.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

Note 5-Fair Value Measurements (Continued)

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, 2022:

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.

Money Market:

Valued at cost which approximates market value.

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, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities				
U.S. Treasury Notes	\$ 1,297,504	\$ -	\$ -	\$ 1,297,504
U.S. Government agency debt obligations	-	553,156	-	553,156
U.S. Government mortgage backed securities	-	1,599,934	-	1,599,934
Corporate Bonds	-	284,156	-	284,156
Money Market Funds	125,234	-	-	125,234
Total investments at fair value	<u>\$ 1,422,738</u>	<u>\$ 2,437,246</u>	<u>\$ -</u>	<u>\$ 3,859,984</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

Note 6-Excess Insurance Policy Coverage for Risk-Sharing Pools

A. Property Fund

At March 31, 2022, the Fund had excess insurance with a self-insured retention of \$150,000 for each specific occurrence and aggregate stop loss for the year of \$1,500,000 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 year ended March 31, 2022 was \$6,905,389. The policy period runs from April 1st to March 31st of each year. Excess insurance activity was with multiple excess carriers. The anticipated recoverable amount as of March 31, 2022 was \$120,262.

B. General Liability Fund

At March 31, 2022, the General Liability Fund had excess insurance with a self-insured retention of \$50,000 for each specific occurrence and an aggregate stop loss for the year of \$450,000 for the policy periods. Premiums ceded to excess insurers during the year ended March 31, 2022 was \$687,295. The policy period runs from April 1st to March 31st of each year. Excess insurance activity was with a single reinsurer. There were no anticipated recoverable amounts at March 31, 2022.

C. Public Officials Liability Fund

At March 31, 2022, the Public Officials Liability Fund had excess insurance with a self-insured retention of \$75,000 for each specific claim made and an aggregate stop loss for the year of \$245,000. Premiums ceded to excess insurers during the year ended March 31, 2022 was \$176,310. There is an anticipated recoverable amount of \$25,560 at March 31, 2022.

Note 7-Excess Carrier Payments – Payable to Members

The Agency received payments during the fiscal year ended March 31, 2022 from various excess carriers. These funds are payable to members for claims incurred in excess of the per occurrence deductible and annual aggregate stop loss in the amount of \$3,827,282.

Note 8-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 risk sharing pools pay a fee to LHC based on housing authorities' participation in the pool. These fees are recognized when the policies are billed. Total fees for the year ended March 31, 2022 was \$164,967.

Arthur J. Gallagher Risk Management Services, Inc. is an administrator that performs the risk management and administrative functions of the Agency. The total amount paid for administrative services for the year ended March 31, 2022 was \$10,000, which was related to the Workers' Comp Fund policy period ended September 30, 2021.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2022

Note 9-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 10-Subsequent Events

The Agency evaluated all subsequent events through May 8, 2023, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment 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
General Liability Fund - For the Year Ended March 31
(Unaudited)- in thousands

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net premiums earned, investment income, and other revenue	\$ 394	\$ 576	\$ 646	\$ 518	\$ 623	\$ 643	\$ 667	\$ 671	\$ 639	\$ 630
Operating costs, unallocated	162	193	205	198	219	228	904	163	164	164
Estimated claims and expenses, end of policy year										
Incurred	475	139	343	197	172	234	342	545	525	300
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	475	139	343	197	172	234	342	545	525	300
Paid (cumulative) as of:										
End of policy year	13	5	9	5	1	15	20	6	9	23
One year later		35	122	46	21	85	59	55	45	41
Two years later			243	139	60	136	102	63	95	74
Three years later				179	83	201	172	83	143	118
Four years later					107	209	208	119	169	140
Five years later						219	209	169	178	141
Six years later							210	170	178	144
Seven years later								199	178	146
Eight years later									178	146
Nine years later										146
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses										
End of policy year	475	139	343	197	172	234	342	545	525	300
One year later		218	459	170	165	266	207	284	497	265
Two years later			462	217	183	271	297	190	353	259
Three years later				216	185	271	279	170	284	203
Four years later					168	259	249	188	257	213
Five years later						278	229	196	210	209
Six years later							228	198	178	186
Seven years later								205	178	175
Eight years later									178	157
Nine years later										157
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	79	119	19	(4)	44	(114)	(340)	(347)	(143)

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)- in thousands

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net premiums earned, investment income, and other revenue	\$ 1,931	\$ 1,961	\$ 1,864	\$ 1,391	\$ 1,170	\$ 813	\$ 741	\$ (10)	\$ 1,119	\$ 898
Operating costs, unallocated	222	125	138	151	161	197	114	126	1,276	142
Estimated claims and expenses, end of policy year										
Incurred	1,297	1,873	1,005	1,429	1,358	1,249	1,285	1,354	887	1,031
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	1,297	1,873	1,005	1,429	1,358	1,249	1,285	1,354	887	1,031
Paid (cumulative) as of:										
End of policy year	367	670	191	1,065	934	740	800	478	484	689
One year later		1,341	818	1,257	1,379	979	1,022	927	670	909
Two years later			1,006	1,306	1,315	1,119	1,023	942	590	1,060
Three years later				1,306	1,315	1,116	1,038	942	590	1,060
Four years later					1,315	1,116	1,038	942	590	1,060
Five years later						1,116	1,038	942	590	1,060
Six years later							1,038	942	590	1,060
Seven years later								942	590	1,060
Eight years later									590	1,060
Nine years later										1,060
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses										
End of policy year	1,297	1,873	1,005	1,429	1,358	1,249	1,285	1,354	887	1,031
One year later		1,492	1,266	1,334	1,389	1,077	1,075	975	669	1,055
Two years later			1,200	1,310	1,317	1,119	1,023	960	590	1,055
Three years later				1,314	1,316	1,116	1,038	942	590	1,060
Four years later					1,315	1,116	1,038	942	590	1,060
Five years later						1,116	1,038	942	590	1,060
Six years later							1,038	942	590	1,060
Seven years later								942	590	1,060
Eight years later									590	1,060
Nine years later										1,060
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	(381)	195	(115)	(43)	(133)	(247)	(412)	(297)	29

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)- in thousands

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net premiums earned, investment income, and other revenue	\$ 268	\$ 252	\$ 184	\$ 187	\$ 94	\$ 55	\$ 92
Operating costs, unallocated	12	16	23	21	16	17	12
Estimated claims and expenses, end of policy year							
Incurred	83	54	40	51	68	56	-
Ceded	-	-	-	-	-	-	-
Net incurred	83	54	40	51	68	56	-
Paid (cumulative) as of:							
End of policy year	7	-	-	-	7	17	-
One year later		8	8	40	72	38	-
Two years later			18	44	100	38	17
Three years later				77	100	38	17
Four years later					100	38	17
Five years later						39	17
Six years later							17
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	83	54	40	51	68	56	-
One year later		57	22	51	110	57	-
Two years later			24	44	100	38	21
Three years later				127	100	38	17
Four years later					100	38	17
Five years later						39	17
Six years later							17
Seven years later							
Eight years later							
Nine years later							
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	3	(16)	76	32	(17)	17

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.

Supplementary Information

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Combining Statement of Net Position
March 31, 2022

	Workers' Comp Fund	Auto Fund	Property Fund	General Liability Fund	Public Officials Liability Fund	2022 Total
Assets						
Cash and cash equivalents	\$ 765,272	\$ 162,636	\$5,818,248	\$ 586,187	\$ 886,311	\$ 8,218,654
Investments	975,446	-	55,734	2,828,804	-	3,859,984
Due (to) from Other LHC Funds	181,600	18,120	(109,803)	(16,435)	(34,902)	38,580
Premiums receivable	13,009	1,215	-	-	2,635	16,859
Excess insurance receivable	-	-	120,262	-	25,560	145,822
Other receivables	479,228	-	-	600	-	479,828
Prepaid expenses	14,468	-	1,750	-	74,976	91,194
Escrow funds	-	-	40,018	10,324	10,401	60,743
Accrued interest	2,690	-	151	7,761	-	10,602
	<u>\$2,431,713</u>	<u>\$ 181,971</u>	<u>\$5,926,360</u>	<u>\$3,417,241</u>	<u>\$ 964,981</u>	<u>\$12,922,266</u>
Total assets						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 23,939	\$ -	\$ 23,939
Unpaid claims liability	-	-	1,282,506	1,132,880	222,046	2,637,432
Excess carrier payments - payable to members	-	-	3,827,282	-	-	3,827,282
Unearned premiums	430,567	-	-	-	185,983	616,550
Other payables	479,228	-	-	-	-	479,228
	<u>909,795</u>	<u>-</u>	<u>5,109,788</u>	<u>1,156,819</u>	<u>408,029</u>	<u>7,584,431</u>
Total liabilities	<u>909,795</u>	<u>-</u>	<u>5,109,788</u>	<u>1,156,819</u>	<u>408,029</u>	<u>7,584,431</u>
Net Position	<u>1,521,918</u>	<u>181,971</u>	<u>816,572</u>	<u>2,260,422</u>	<u>556,952</u>	<u>5,337,835</u>
Total liabilities and net position	<u>\$2,431,713</u>	<u>\$ 181,971</u>	<u>\$5,926,360</u>	<u>\$3,417,241</u>	<u>\$ 964,981</u>	<u>\$12,922,266</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Combining Statement Revenues, Expenses, and Change in Net Position
Year Ended March 31, 2022

	Workers' Comp Fund	Auto Fund	Property Fund	General Liability Fund	Public Officials Liability Fund	2022 Total
Revenues						
Premiums earned	\$ 850,451	\$ 460,592	\$8,706,058	\$ 1,136,641	\$ 437,895	\$11,591,637
Premiums ceded	<u>(801,686)</u>	<u>(469,376)</u>	<u>(6,905,389)</u>	<u>(687,295)</u>	<u>(176,310)</u>	<u>(9,040,056)</u>
Net premiums earned	48,765	(8,784)	1,800,669	449,346	261,585	2,551,581
Net investment income (loss)	(26,152)	18	(841)	(72,058)	68	(98,965)
LHC fees	3,600	6,959	130,904	17,054	6,450	164,967
Other revenue	<u>479,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,250</u>
Net revenues	<u>505,463</u>	<u>(1,807)</u>	<u>1,930,732</u>	<u>394,342</u>	<u>268,103</u>	<u>3,096,833</u>
Expenses						
Claims expenses	-	-	1,096,918	544,917	179,007	1,820,842
Excess insurance proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incurred claims expenses	-	-	1,096,918	544,917	179,007	1,820,842
Administrative services	10,000	-	-	-	-	10,000
Claims administrator fees	-	-	8,216	22,603	1,532	32,351
Fees paid to LHC	3,600	6,959	130,904	17,054	6,450	164,967
Investment fees and other expenses	29,329	1,803	4,473	88,307	2,148	126,060
Professional fees	-	-	73,973	30,000	-	103,973
Actuarial fees	750	-	4,250	4,000	1,500	10,500
Policyholder dividends	<u>479,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,227</u>
Total expenses	<u>522,906</u>	<u>8,762</u>	<u>1,318,734</u>	<u>706,881</u>	<u>190,637</u>	<u>2,747,920</u>
Change in Net Position	(17,443)	(10,569)	611,998	(312,539)	77,466	348,913
Net Position, beginning of year	<u>1,539,361</u>	<u>192,540</u>	<u>204,574</u>	<u>2,572,961</u>	<u>479,486</u>	<u>4,988,922</u>
Net Position, end of year	<u>\$ 1,521,918</u>	<u>\$ 181,971</u>	<u>\$ 816,572</u>	<u>\$ 2,260,422</u>	<u>\$ 556,952</u>	<u>\$ 5,337,835</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2022

Loss Ratio	$\frac{\text{Incurred Losses and Loss Adjustment Expense}}{\text{Net Premiums Earned}}$	$\frac{\$ 1,820,842}{\$ 2,551,581}$	Loss Ratio	<u><u>0.71</u></u>
Expense Ratio	$\frac{\text{Expenses (excluding expenses related to losses)}}{\text{Net Premiums Earned}}$	$\frac{\$ 927,078}{\$ 2,551,581}$	Expense Ratio	<u><u>0.36</u></u>
Combined Ratio	$\text{Loss Ratio} + \text{Expense Ratio}$	$0.71 + 0.36$	Combined Ratio	<u><u>1.07</u></u>
Net Investment Income Ratio	$\frac{\text{Net Investment Income (Loss)}}{\text{Net Premiums Earned}}$	$\frac{\$ (98,965)}{\$ 2,551,581}$	Net Investment Income Ratio	<u><u>-0.04</u></u>
Operating Ratio	$\text{Combined Ratio} - \text{Net Investment Income Ratio}$	$1.07 + 0.04$	Operating Ratio	<u><u>1.11</u></u>
Yield on Invested Assets	$\frac{\text{Net Investment Income (Loss)}}{\text{Investments}}$	$\frac{\$ (98,965)}{\$ 3,859,984}$	Yield on Invested Assets	<u><u>-0.03</u></u>
Change in Net Position	$\frac{\text{Change in Net Position}}{\text{Previous Year's Net Position}}$	$\frac{\$ 348,913}{\$ 4,988,922}$	Change in Net Position	<u><u>0.07</u></u>
Return on Net Position	$\frac{\text{Change in Net Position}}{\text{Previous Year's Net Position}}$	$\frac{\$ 348,913}{\$ 4,988,922}$	Return on Net Position	<u><u>0.07</u></u>
Net Premiums Written to Net Position	$\frac{\text{Net Premiums Written}}{\text{Net Position}}$	$\frac{\$ 2,551,581}{\$ 5,337,835}$	Net Premiums Written to Net Position	<u><u>0.48</u></u>
Current Liability	$\frac{\text{Cash and Cash Equivalents} + \text{Investments}}{\text{Unearned Premiums} + \text{Unpaid Claims Liability}}$	$\frac{\$ 12,078,638}{\$ 3,253,982}$	Current Liability	<u><u>3.71</u></u>

**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, 2022**

Agency Head Name: Bobby R. Collins, Board Chairman

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



**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 statement of net position as of March 31, 2022, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2023.

Report on 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) as a basis for designing 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 a 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 and therefore, material weakness or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-002 that we consider to be a material weakness.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance or an other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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

May 8, 2023

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule of Findings and Responses
Year Ended March 31, 2022

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, 2022, and the related notes to the financial statements.
- 2) Noted one deficiency in internal control over financial reporting that we consider to be a material weakness.
- 3) Noted one instance 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.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule of Findings and Responses
Year Ended March 31, 2022

Part II. Financial Statement Findings

Noncompliance with State Laws and Regulations

2022-001: Filing of Report with Louisiana Legislative Auditor

Condition:

The March 31, 2022 audited financial statements were not filed within six months of the close of the fiscal year.

Criteria:

Louisiana Revised Statute 24:513 requires that the Agency submit completed audit reports to the Legislative Auditor no later than six months after the fiscal year end. Accordingly, the submission due date was September 30, 2022. In accordance with the provisions for non-emergency extensions promulgated by Louisiana Revised Statute 39:721, the Agency requested and was granted extensions to complete and submit the audit to the Legislative Auditor. Accordingly, the extended due date was February 28, 2023. The audit was submitted after the statutory deadline and the extended deadline.

Cause:

Several issues arose throughout the audit that required significant time to research and correct. In addition, the Administrator underwent staffing changes that affected the audit process.

Effect:

The Agency is not in compliance with Louisiana R.S. 24:513-556.

Auditor's Recommendation:

We recommend the Agency review its current procedures for key processes, including all accounting functions, to ensure the accounting records are closed accurately in a timely manner.

Management's Corrective Action Plan:

The Administrator experienced staffing issues during COVID, accompanied by personnel changes and accordingly, requested extensions for filing the audit with the Louisiana Legislative Auditor. Even with extensions granted, it took longer than anticipated to finalize the financial audit. The impact of the pandemic prompted the need for a dedicated, fully staffed financial team including backup personnel. Gallagher has a new team, dedicated to LHC's financial services. Timely reporting has been addressed and will be met going forward.

Material Weakness

2022-002: Material Audit Adjustments for Claims Expenses

Condition:

Claims payment activity handled by a third-party administrator as well as funds received from the excess carriers for which the Agency was acting as an intermediary were not properly recorded on the general ledger, which resulted in a material adjustment to claims expense on the Agency's financial statements.

Criteria:

General ledger accounts should be reconciled monthly using supporting documentation obtained from banks, third parties, or other sub-ledgers on a monthly basis.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule of Findings and Responses
Year Ended March 31, 2022

Part II. Financial Statement Findings (Continued)

Material Weakness (Continued)

2022-002: Material Audit Adjustments for Claims Expenses (Continued)

Cause:

The Administrator underwent staffing changes in the accounting department.

Effect:

Without complete reconciliation of the general ledger to the underlying records, the financial statements may be prone to misstatement due to fraud or error.

Auditor's Recommendation:

On a monthly basis, claim payments should be reconciled monthly using the administrator reports and a subledger should be maintained to track the balance of funds being held on behalf of others to ensure all claim activity is properly recorded.

Management's Corrective Action Plan:

The Administrator experienced staffing issues during COVID, accompanied by personnel changes. The impact of the pandemic prompted the need for a fully staffed financial team with built-in redundancies. The Administrator started the process of transitioning the administrative work to a team whose sole purpose is to provide LHC financial services. This team is comprised of several CPAs and has strict procedures in place to ensure financials are being recorded timely and accurately with redundancies in place. All financial activities are reviewed monthly by senior management. This team owns the responsibility of ensuring the client's financials are in compliance at all times. These changes will result in timely and accurate financing reporting for LHC.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2022

Part I. Financial Statement Findings

No findings were noted.

Part II. Management Letter

A management letter was not issued.