

Louisiana Assessors' Insurance Fund
Baton Rouge, Louisiana
December 31, 2017

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Independent Auditor's Report

Insurance Committee
Louisiana Assessors' Insurance Fund
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Louisiana Assessors' Insurance Fund, which comprise the balance sheets as of December 31, 2017 and 2016, 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.

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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Assessors' Insurance Fund as of December 31, 2017 and 2016, and the changes in its net position and cash flows 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 and the schedule of 1-10 year claims development information 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Louisiana Assessors' Insurance Fund's basic financial statements. The schedule of per diem payments and 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.

The schedule of per diem payments and schedule of compensation, benefits, and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 schedule of per diem payments and 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 June 18, 2018, on our consideration of Louisiana Assessors' Insurance Fund'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 to solely 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 Assessors' Insurance Fund'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 Assessors' Insurance Fund's internal control over financial reporting and compliance.

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

June 18, 2018

**Louisiana Assessors' Insurance Fund
Management's Discussion and Analysis
December 31, 2017**

The following is management's discussion and analysis of Louisiana Assessors' Insurance Fund ("plan") for the year ended December 31, 2017, which highlights relevant aspects of the basic financial statements and provides an analytical overview of the Plan's financial activities.

FINANCIAL HIGHLIGHTS

Assets decreased by approximately \$273,416, or 35%, from 2016 to 2017.

The Plan's net position increased approximately \$176,000 in 2017, compared to a decrease in net position of approximately \$1,129,000 in 2016.

The amount of net premiums earned increased approximately \$1,125,000 and claim expenses increased approximately \$149,000 over the prior year amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Plan's basic financial statements, together with the related notes to the financial statements, required supplementary information and the supporting schedules, all of which are described as follows.

Balance Sheets - these statements report the Plan's assets, liabilities, and net position as of December 31, 2017 and 2016.

Statements of Revenues, Expenses and Change in Net Position - these statements report the Plan's revenues, expenses, and change in net position for the years ended December 31, 2017 and 2016.

Statements of Cash Flows - these statements report the net increase or decrease in cash and cash equivalents for the years ended December 31, 2017 and 2016.

Notes to the Financial Statements - the financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements. A description of the information provided in the notes is as follows:

Note 1 (Plan Description) provides a general description of the Plan. Information is included regarding the Insurance Committee, plan membership, and a description of the basic insurance benefits.

Note 2 (Summary of Significant Accounting Policies) provides information about the accounting methods and policies used in determining amounts shown on the financial statements. Information relative to the basis of accounting, the determination of estimates, cash and investments, unpaid claims liability, deferred premiums, reinsurance, income taxes and operating revenues and expenses is included in this note.

Note 3 (Deposits and Investment Risk) describes the categories of cash and investments and includes disclosures of custodial, interest rate, credit risks, and fair value measurements in accordance with GASB 40 and GASB 72.

**Louisiana Assessors' Insurance Fund
Management's Discussion and Analysis
December 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Note 4 (Furniture and Equipment) shows the furniture and equipment, net of accumulated depreciation.

Note 5 (Claims Expense and Unpaid Claims Reserve) describes changes in the aggregate unpaid claims liabilities from December 31, 2016 to December 31, 2017.

Note 6 (Reinsurance Policy Coverage) outlines the reinsurance policy guidelines and limitations.

Note 7 (Administrative Expenses) details the expenses incurred throughout the year.

Note 8 (Related Party Transactions) provides descriptions of transactions between the Plan and its related parties, Louisiana Assessors' Association and Louisiana Assessors' Retirement Fund.

Note 9 (Net Position) provides an explanation of the Plan's negative net position.

Note 10 (Subsequent Events) provides the date through which subsequent events have been evaluated for disclosure in the financial statements.

LOUISIANA ASSESSORS' INSURANCE FUND'S FINANCIAL ANALYSIS

The Plan is a cost sharing, multiple-employer, qualified defined benefit insurance plan covering assessors and their employees employed by any parish of the State of Louisiana, under the provisions of Louisiana Revised Statutes 47:1922, effective August 30, 1988. The Plan is a qualified plan as defined by the Internal Revenue Code, effective January 1, 1998. Insurance benefits are funded through premium income.

**Statements of Revenues, Expenses and Change in Net Position
December 31, 2017, 2016 and 2015**

Revenue includes member's premiums and investment income.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017 Percentage Change</u>
Revenues and Expenses				
Revenues	<u>\$13,372,052</u>	<u>\$ 11,641,763</u>	<u>\$ 11,596,792</u>	14.9%
Claims expenses and insurance premiums	13,027,047	12,585,862	10,905,995	3.5%
Administrative expenses	<u>169,217</u>	<u>184,838</u>	<u>144,062</u>	(8.5)%
Total expenses	<u>13,196,264</u>	<u>12,770,700</u>	<u>11,050,057</u>	3.3%
Change in Net Position	<u>\$ 175,788</u>	<u>\$ (1,128,937)</u>	<u>\$ 546,735</u>	

**Louisiana Assessors' Insurance Fund
Management's Discussion and Analysis
December 31, 2017**

LOUISIANA ASSESSORS' INSURANCE FUND'S FINANCIAL ANALYSIS (Continued)

**Balance Sheets
December 31, 2017, 2016 and 2015**

Assets include cash and cash equivalents, reinsurance receivable, investments, and prepaid expenses. Liabilities include accounts payable, deferred premiums and unpaid claims.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017 Percentage Change</u>
Assets				
Total assets	<u>\$ 497,163</u>	<u>\$ 770,579</u>	<u>\$ 1,424,515</u>	(35.5)%
Liabilities and Net Position				
Current liabilities	1,084,892	\$1,534,096	\$ 1,059,095	(29.2)%
Net position				
Unrestricted (deficit)	<u>(587,729)</u>	<u>(763,517)</u>	<u>365,420</u>	23.0 %
Total liabilities and net position	<u>\$ 497,163</u>	<u>\$ 770,579</u>	<u>\$ 1,424,515</u>	

Requests for Information

This annual financial report is designed to provide a general overview of the Plan's finances for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to Louisiana Assessors' Insurance Fund, Post Office Box 14699, Baton Rouge, Louisiana 70898.

Louisiana Assessors' Insurance Fund
Balance Sheets
December 31, 2017 and 2016

	Assets		2017		2016
Assets					
Cash and cash equivalents		\$	-	\$	178,933
Investments					
Mutual funds			297,216		296,318
Money market funds			51		-
LAMP funds			65,845		65,211
Accrued investment income			-		410
Reinsurance receivable			97,894		86,153
Other receivables			36,157		143,554
Total assets		\$	497,163	\$	770,579
Liabilities and Net Position					
Liabilities					
Cash overdraft		\$	46,524	\$	-
Accounts payable			5,936		2,194
Unearned revenue			207,175		58,205
Unpaid claims liability			825,257		1,473,697
Total liabilities			1,084,892		1,534,096
Net Position					
Unrestricted (deficit)			(587,729)		(763,517)
Total liabilities and net position		\$	497,163	\$	770,579

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

Louisiana Assessors' Insurance Fund
Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Premiums earned	\$ 12,977,633	\$ 11,524,335
Premiums ceded	2,043,093	1,714,578
	<hr/>	<hr/>
Net premiums earned	10,934,540	9,809,757
Net depreciation of investments	(2,890)	(1,927)
Interest and dividends	4,062	5,747
Reinsurance proceeds	393,247	113,609
	<hr/>	<hr/>
Total revenues	11,328,959	9,927,186
	<hr/>	<hr/>
Expenses		
Claims expenses	10,983,954	10,834,780
Exchange fee	-	36,504
Administrative expenses	169,217	184,839
	<hr/>	<hr/>
Total expenses	11,153,171	11,056,123
	<hr/>	<hr/>
Change in Net Position	175,788	(1,128,937)
	<hr/>	<hr/>
Net Position		
Beginning of year	(763,517)	365,420
	<hr/>	<hr/>
End of year	\$ (587,729)	\$ (763,517)
	<hr/> <hr/>	<hr/> <hr/>

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

Louisiana Assessors' Insurance Fund
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from premiums	\$ 13,085,030	\$ 11,370,801
Payments for claims	(11,632,394)	(10,349,323)
Payments for insurance premiums	(1,894,123)	(1,711,182)
Payments for administrative expenses	(165,475)	(198,690)
Receipts from reinsurance carriers	381,506	276,040
Interest and dividends received	4,472	5,918
	<hr/>	<hr/>
Net cash used in operating activities	(220,984)	(606,436)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Purchase of investments	(4,473)	(205,918)
Proceeds from the sale of investments	-	950,000
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(4,473)	744,082
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(225,457)	137,646
Cash and Cash Equivalents, beginning of year	178,933	41,287
	<hr/>	<hr/>
Cash and Cash Equivalents (Cash Overdraft), end of year	\$ (46,524)	\$ 178,933
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Change in Net Position to Net Cash Used in Operating Activities:		
Change in net position	\$ 175,788	\$ (1,128,937)
Adjustments to reconcile change in net position to net cash used in operating activities:		
Unrealized loss on investments	2,890	1,927
(Increase) Decrease in assets:		
Accrued investment income	410	172
Reinsurance receivable	(11,741)	162,431
Other receivables	107,397	(117,030)
Increase (Decrease) in liabilities:		
Accounts payable	3,742	(13,852)
Unearned revenue	148,970	3,396
Unpaid claims liability	(648,440)	485,457
	<hr/>	<hr/>
Net cash used in operating activities	\$ (220,984)	\$ (606,436)
	<hr/> <hr/>	<hr/> <hr/>

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

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 1-Plan Description

The following description of Louisiana Assessors' Insurance Fund ("Plan"), a public entity risk pool, provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

The Plan provides health and other benefits covering all assessors and assessors' employees throughout the State of Louisiana. Participation is voluntary and participants may withdraw by giving proper notice. The Plan's general objective is to formulate, develop and administer on behalf of the participating members, a program of inter-local risk management to obtain lower cost for insurance coverage. Contributions required by the Plan are determined by the Insurance Committee of Louisiana Assessors' Association. The Plan and related trust were established on August 30, 1988, pursuant to Louisiana Revised Statute 47:1922.

The Plan provides health benefits (medical, hospital, surgical, major medical, and dental), life insurance coverage, long-term disability benefits, vision and death benefits to participants and to their beneficiaries and covered dependents. All members of the Plan hired on or before September 30, 2013, shall be eligible for participation in the benefits of the Plan upon written application for such allowance to the Board of Trustees if (1) the member has twelve years or more of creditable service and has attained the age of fifty-five, or (2) the member has thirty or more years of creditable service, regardless of age. All members of the Plan hired on or after October 1, 2013, shall be eligible for participation in the benefits of this Plan upon written application for such allowance to the Board of Trustees if (1) the member has twelve or more years of creditable service and has attained the age of sixty, or (2) the member has thirty or more years of creditable service and has attained the age of fifty-five.

Health and dental claims of active and retired participants, dependents, and beneficiaries are processed by HealthSmart, Inc., the third party administrator, but the responsibility for payments to participants and providers is retained by the Plan. Group life insurance and accidental death and dismemberment insurance are provided by Reliastar Life Insurance Company. Disability coverage and supplemental life insurance are provided by Metropolitan Life Insurance Company. Vision coverage is provided by AIG Life Insurance Company and claims are processed by National Vision Administrators, Inc.

Louisiana Assessors' Association (LAA) provides bookkeeping support, as well as other administrative functions, for the Plan.

The Plan is affiliated through common membership and management control with LAA and Louisiana Assessors' Retirement Fund. Although these entities are related parties, their various net positions are available only to the individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The Plan's Insurance Committee, as Administrator, has the right under the Plan to modify the benefits provided to active and retired employees. The Plan may be terminated at any time.

Total membership in the Plan at December 31st is as follows:

	<u>2017</u>	<u>2016</u>
Retirees and beneficiaries receiving health care benefits	397	344
Active plan members	<u>622</u>	<u>673</u>
Total	<u>1,019</u>	<u>1,017</u>

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and promulgated by the Government Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The financial statements follow the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The Plan is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Premiums are recognized on a monthly prorated basis over the respective terms of the policies. Premiums applicable to the unexpired terms of the policies in force are reported as unearned revenue at the balance sheet date.

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan Administrator to make estimates and assumptions that affect certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results may differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, unpaid claims.

Unpaid claims liability is established by management based on review of claim payment history and anticipated future claims. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available and it is reasonably possible that a change in this estimate will occur in the near term.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less which are not under investment management for long-term purposes.

D. Reinsurance and Other Receivables

Reinsurance and other receivables are comprised of amounts due from members' reinsurance companies and other sources, stated at the amount the Plan expects to collect. The Plan provides for probable uncollectible amounts through a charge to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable once amounts are determined to be uncollectible. At December 31, 2017 and 2016, no allowance for doubtful accounts had been recorded.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 2-Summary of Significant Accounting Policies (Continued)

E. 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 based on estimated fair value. Realized and unrealized gains and losses on investments recorded at fair value are included in net appreciation (depreciation) of investments.

F. Furniture and Equipment

Furniture and equipment as shown in Note 4 are stated at cost and depreciated over the estimated useful lives of the assets utilizing the straight line method. It is the Plan's policy to capitalize expenditures for those items in excess of \$500. Lesser amounts are expensed. The estimated useful lives of the assets are as follows:

Furniture and Equipment	7-10 years
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G. Unpaid Claims Liability

The Plan establishes 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 methodology for developing self-insurance reserves is based on management estimates. The estimation process considers, among other matters, the cost of known claims over time, inflation, and incurred but not reported claims. These estimates may change based on, among other things, changes in claim history or receipt of additional information relevant to assessing the claims. Further, these estimates may prove to be inaccurate due to factors such as adverse judicial determinations or other claim settlements at higher than estimated amounts. Accordingly, the Plan may be required to increase or decrease its reserve levels.

H. Reinsurance

The Plan uses reinsurance to reduce its exposure to large losses on insured events. Further description of the reinsurance coverage is described in Note 6. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Plan as direct insurer of the risk reinsured. The Plan does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Claims expenses consist of claims incurred during the current year, adjustments to the accounting estimate of prior years' claims expense, and a reduction for claims covered by the reinsurer in accordance with the reinsurance policy.

I. Income Taxes

The Plan is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 3-Deposits and Investment Risk Disclosures

The information presented on the following pages includes disclosures of custodial, interest rate, and credit risks in accordance with GASB 40 and is designed to inform financial statement users about investment risks that could affect the Plan's ability to meet its obligations. The tables presented classify investments by risk type, while the financial statements present investments by asset class; thus, the totals shown on the tables may not be comparable to the amounts shown for the individual asset classes on the financial statements.

A. Deposits

At December 31, 2017, the carrying amount of the Plan's demand deposit accounts classified as cash overdraft was \$(46,524) and the bank balance was \$215,491, of which the entire balance was protected from custodial credit risk by Federal Depository insurance.

B. Investments

The Plan has no investments of any single organization (other than those issued or guaranteed by the U.S. government) that represent 5% or more of the Plan's net position, nor does the Plan hold more than 5% of any corporation's stock.

Statutes authorize the Plan to invest under the Prudent-Man Rule. The Prudent-Man Rule requires each fiduciary of an insurance fund and each board of trustees acting collectively on behalf of the Plan to act with care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Plan's policy regarding investments is established and amended by the Plan's Board. The Plan shall be managed at all times in accordance with Louisiana statutes and any other applicable law. The policy states that the investment of the Plan's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the Plan's administrative expenses. The Plan's investments shall be prudently selected and properly diversified so as to minimize the risk of large losses.

The Plan also holds an investment in the Louisiana Asset Management Pool, Inc. (LAMP, Inc.), a nonprofit corporation formed by an initiative of the state treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at market value, except for LAMP which is stated at amortized cost, and are equal to the value of the pool shares.

The Louisiana Asset Management Pool (LAMP) is an investment pool established as a cooperative endeavor to enable entities of the State of Louisiana to aggregate funds for investments.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 3-Deposits and Investment Risk Disclosures (Continued)

B. Investments (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP's permissible investments are set forth in R.S. 33:2955 and are further limited in accordance with investment guidelines promulgated by its board of directors. LAMP's Statement of Investment Guidelines authorizes investments in various investments and products, including United States Treasury bills or notes, Federal Home Loan Bank notes, Federal National Mortgage Association notes, Federal Farm Credit Bank notes, Student Loan Marketing Association notes, and other investments as approved by the board of directors. LAMP, Inc. is subject to the regulatory oversight of the Louisiana state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

In accordance with GASB Codification Section 150.126, the investment in LAMP at December 31, 2017 and 2016 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investments are in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

The Plan's investments at cost and fair value as determined by quoted market prices at December 31, 2017 and 2016 are as follows.

	<u>2017</u>		<u>2016</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Money market funds	\$ 51	\$ 51	\$ -	\$ -
LAMP funds	65,845	65,845	65,211	65,211
U.S. government fixed income mutual fund	<u>309,682</u>	<u>297,216</u>	<u>305,893</u>	<u>296,318</u>
	<u>\$ 375,578</u>	<u>\$ 363,112</u>	<u>\$ 371,104</u>	<u>\$ 361,529</u>

C. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

The investments of Louisiana Assessors' Insurance Fund are held by its custodian separately from the custodian's assets in the name of the Plan, and would not be adversely affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. The Plan had no custodial credit risk as of December 31, 2017 and 2016.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 3-Deposits and Investment Risk Disclosures (Continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The 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. The Plan has no formal policy regarding interest rate risk.

As of December 31, 2017 and 2016, the Plan did not have any investments with interest rate risk.

E. Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy states that no more than 5% of the assets assigned to an investment manager may be invested in the securities of one issuer with the exception of Treasury and Agency securities. The Plan was not exposed to any credit risk at December 31, 2017 and 2016.

F. Fair Value Measurements

The Plan categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These qualifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level of input that is significant to the entire valuation. These levels are not necessarily an indication of risk, but are based upon the pricing transparency of the investment. In determining the appropriate levels, the System performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 3-Deposits and Investment Risk Disclosures (Continued)

F. Fair Value Measurements (Continued)

The following table sets forth by level, the investments reported at fair value as of December 31, 2017:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Debt Securities				
U.S. government securities	\$ 297,216	\$ -	\$ 297,216	\$ -
Total debt securities	<u>297,216</u>	<u>-</u>	<u>297,216</u>	<u>-</u>
LAMP	65,845	-	65,845	-
Money Market funds	<u>51</u>	<u>-</u>	<u>51</u>	<u>-</u>
Total investments at Fair Value Level	<u>\$ 363,112</u>	<u>\$ -</u>	<u>\$ 363,112</u>	<u>\$ -</u>

The following table sets forth by level, the investments reported at fair value as of December 31, 2016:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Debt Securities				
U.S. government securities	\$ 296,318	\$ -	\$ 296,318	\$ -
Total debt securities	<u>296,318</u>	<u>-</u>	<u>296,318</u>	<u>-</u>
LAMP	<u>65,211</u>	<u>-</u>	<u>65,211</u>	<u>-</u>
Total investments at Fair Value Level	<u>\$ 361,529</u>	<u>\$ -</u>	<u>\$ 361,529</u>	<u>\$ -</u>

Valuation Techniques

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix and market-corroborate pricing and inputs such as yield curves and indices. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 4-Furniture and Equipment

Furniture and equipment as of December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 13,342	\$ 13,342
Less: accumulated depreciation	<u>(13,342)</u>	<u>(13,342)</u>
	<u>\$ —</u>	<u>\$ —</u>

There was no depreciation expense recognized for the years ended December 31, 2017 and 2016.

Note 5-Claims Expense and Unpaid Claims Reserve

The following represents changes in the aggregate unpaid claims liabilities for the Plan for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unpaid claims and loss adjustment expenses at beginning of fiscal year	<u>\$ 1,473,697</u>	<u>\$ 988,240</u>
Incurred losses and loss adjustment expenses		
Provision for insured events of current year	11,123,174	10,890,580
Increases (decreases) in provision for insured events of prior fiscal years	<u>(139,220)</u>	<u>(55,800)</u>
Total incurred losses and loss adjustment expenses	<u>10,983,954</u>	<u>10,834,780</u>
Payments		
Losses and loss adjustment expenses attributable to insured events of current fiscal year	10,297,917	9,416,883
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	<u>1,334,477</u>	<u>932,440</u>
Total payments	<u>11,632,394</u>	<u>10,349,323</u>
Unpaid claims and loss adjustment expense at end of fiscal year	<u>\$ 825,257</u>	<u>\$ 1,473,697</u>

Note 6-Reinsurance Policy Coverage

The Plan and its reinsurers represent a cooperative program for group funding and risk management of accident and health claims of participating Louisiana Assessors. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants, and the Plan has authority to assess the participants to fund any deficits incurred.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 6-Reinsurance Policy Coverage (Continued)

The Plan obtained reinsurance from a commercial insurer for specific stop loss coverage that will pay after \$300,000 per individual claim.

Note 7-Administrative Expenses

The following administrative expenses were incurred during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Administrative allocation	\$ 132,000	\$ 132,000
Other operating expenses	3,668	8,493
Office supplies	463	424
Per diem	3,900	3,150
Professional fees	24,304	35,683
Travel	2,256	2,463
Copier reimbursement	<u>2,626</u>	<u>2,626</u>
	<u>\$ 169,217</u>	<u>\$ 184,839</u>

Note 8-Related Party Transactions

The Plan is related to Louisiana Assessors' Association and Louisiana Assessors' Retirement Fund through common membership and management. The Plan reimburses the Association for office space, utilities and other shared costs. For the years ended December 31, 2017 and 2016, these reimbursements were comprised of the following:

	<u>2017</u>	<u>2016</u>
Administrative allocation	\$ 132,000	\$ 132,000
Copier reimbursement	<u>2,626</u>	<u>2,626</u>
	<u>\$ 134,626</u>	<u>\$ 134,626</u>

The Plan receives premiums from Louisiana Assessors' Association for benefit coverages for its employees. These premiums totaled \$96,801 and \$86,643 for the years ended December 31, 2017 and 2016, respectively.

The Plan receives premiums from Louisiana Assessors' Retirement Fund for health coverage withheld for retirees' benefits. These premiums totaled \$395,920 and \$361,009 for the years ended December 31, 2017 and 2016, respectively.

Note 9-Net Position

Louisiana Assessors' Insurance Fund has a negative net position at December 31, 2017, due to an increase in claims during the year. Management's plan for this deficit is to increase premiums by 10% effective January 1, 2018.

Louisiana Assessors' Insurance Fund
Notes to Financial Statements
December 31, 2017

Note 10-Subsequent Events

The Plan evaluated all subsequent events through June 18, 2018, the date the financial statements were available to be issued. As a result, the committee noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Required Supplementary Information

Louisiana Assessors' Insurance Fund
Schedule of 1-10 Year Claims Development Information
Years Ended December 31, 2017 - 2008

Required contribution and investment revenue	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Earned	\$13,372,052	\$11,641,765	\$11,596,792	\$11,155,010	\$11,138,908	\$11,516,976	\$ 9,759,241	\$ 9,242,619	\$ 8,568,660	\$ 8,619,160
Ceded	<u>(2,043,093)</u>	<u>(1,714,579)</u>	<u>(1,595,315)</u>	<u>(1,594,023)</u>	<u>(1,751,929)</u>	<u>(1,522,965)</u>	<u>(1,345,719)</u>	<u>(1,350,184)</u>	<u>(1,291,133)</u>	<u>(1,173,280)</u>
Net earned	11,328,959	9,927,186	10,001,477	9,560,987	9,386,979	9,994,011	8,413,522	7,892,435	7,277,527	7,445,880
Unallocated expenses	169,217	184,838	144,062	141,416	140,959	142,565	129,491	124,829	119,655	119,110
Estimated claims and expenses end of policy year										
Incurred	11,432,935	11,004,189	9,578,437	10,876,492	9,601,183	11,106,590	8,751,503	7,951,819	7,839,399	7,615,677
Ceded	<u>(309,761)</u>	<u>(113,609)</u>	<u>(350,203)</u>	<u>(968,097)</u>	<u>(362,160)</u>	<u>(905,156)</u>	<u>(170,280)</u>	-	<u>(22,645)</u>	<u>(190,385)</u>
Net incurred	11,123,174	10,890,580	9,228,234	9,908,395	9,239,023	10,201,434	8,581,223	7,935,205	7,816,754	7,425,292
Net paid, cumulative as of										
End of policy year	10,297,917	9,416,883	8,239,994	8,706,596	7,637,797	8,807,974	7,708,473	7,302,868	7,155,417	6,573,119
One year later		10,751,360	9,172,434	9,928,053	9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,403,218
Two years later			9,172,434	9,928,053	9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Three years later				9,928,053	9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Four years later					9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Five years later						10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Six years later							8,498,102	8,157,125	7,700,382	7,423,965
Seven years later								8,157,125	7,700,382	7,423,965
Eight years later									7,700,382	7,423,965
Nine years later										7,423,965
Ten years later										7,423,965
Re-estimated net incurred claims and expenses										
End of policy year	11,123,174	10,890,580	9,228,234	9,908,395	9,239,023	10,201,434	8,581,223	7,935,205	7,816,754	7,425,292
One year later		10,751,360	9,172,434	9,928,053	9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Two years later			9,172,434	9,928,053	9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Three years later				9,928,053	9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Four years later					9,214,548	10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Five years later						10,127,680	8,498,102	8,157,125	7,700,382	7,423,965
Six years later							8,498,102	8,157,125	7,700,382	7,423,965
Seven years later								8,157,125	7,700,382	7,423,965
Eight years later									7,700,382	7,423,965
Nine years later										7,423,965
Ten years later										7,423,965
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	(139,220)	(55,800)	19,658	(24,475)	(73,754)	(83,121)	221,920	(116,372)	(1,327)

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). The Schedule illustrates how the Plan's earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Supplementary Information

**Louisiana Assessors' Insurance Fund
Schedules of Per Diem Payments
Years Ended December 31, 2017 and 2016**

December 31, 2017

	<u>Number of Days</u>	<u>Amount Paid</u>
Paid Board Member		
Thomas Capella	4	\$ 300
Katherine P. Broadway	4	300
Jerry L. Clark	5	375
Randell A. Fletcher	3	225
Jeffrey Taylor	2	150
Daniel Maxwell	3	225
James Petitjean	3	225
Bob Robinson	5	375
Randy Sexton	5	375
Rickey Huval	5	375
Bobby Edmiston	1	75
Justin Phillips	4	300
Shelia Walker	5	375
Glenn Waguespack	2	150
Wendy Aguilard	1	75
		<u>\$ 3,900</u>

December 31, 2016

	<u>Number of Days</u>	<u>Amount Paid</u>
Paid Board Member		
Barney Altazan	3	\$ 225
Katherine P. Broadway	4	300
Jerry L. Clark	2	150
Randell A. Fletcher	4	300
John Hill	2	150
Daniel Maxwell	3	225
James Petitjean	4	300
Bob Robinson	3	225
Randy Sexton	3	225
Rickey Huval	4	300
Bobby Edmiston	4	300
Justin Phillips	4	300
Shelia Walker	2	150
		<u>\$ 3,150</u>

**Louisiana Assessors' Insurance Fund
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended December 31, 2017**

**Agency Head Name: Bobby Edmiston, President
(January 2017 – March 2017)**

Purpose	Amount
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by fund	0
Per diem	75
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

**Agency Head Name: Glenn Waguespack, President
(April 2017 – December 2017)**

Purpose	Amount
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by fund	0
Per diem	150
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
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 Assessors' Insurance Fund
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 Assessors' Insurance Fund, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Louisiana Assessors' Insurance Fund's basic financial statements, and have issued our report thereon dated June 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Assessors' Insurance Fund'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 Assessors' Insurance Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Assessors' Insurance Fund'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 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 Assessors' Insurance Fund'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.

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

June 18, 2018

Louisiana Assessors' Insurance Fund
Schedule of Audit Findings
Year Ended December 31, 2017

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Assessors' Insurance Fund as of and for the year ended December 31, 2017, 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*

No findings were noted.

**Louisiana Assessors' Insurance Fund
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017**

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

No findings were noted.

Part II. Management Letter

Not Applicable

**Louisiana Assessors' Insurance Fund
Agreed-Upon Procedures Report
December 31, 2017**



**Independent Accountant's Report
on Applying Agreed-upon Procedures**

To the Members of the Board of Trustees and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Assessors' Insurance Fund and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the associated findings are listed below. The procedure is stated first, followed by the result of the procedure presented in italics.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

The policies and procedures addressed all areas listed above with the exception of amending the budget.

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The policies and procedures addressed all areas listed above with the exception of how vendors are added to the vendor list.

- c) ***Disbursements***, including processing, reviewing, and approving.

No exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits.

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Entity has no employees and, therefore, does not have written payroll/personnel policies and procedures.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions noted.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The Entity has no credit cards and, therefore, does not have written credit card policies and procedures.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Entity's ethics policy.

No exceptions noted.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Entity has no debt and, therefore does not have written debt service policies and procedures.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

No exceptions noted.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No exceptions noted.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exceptions noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

No exceptions noted.

- 4. Using the listing provided by management, select a minimum of five of the entity's bank accounts or one-third of the bank accounts on a three year rotating basis if more than 15 accounts. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;

The bank reconciliations were reviewed by the Executive Director on a monthly basis. However, the Executive Director has involvement in the transactions associated with the bank account through the signing of checks.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Not applicable.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

No exceptions noted.

6. Using the listing provided by management, select a minimum of five of the entity's cash collection locations or one-third of the collection locations on a three year rotating basis if more than 15 locations. For each cash collection location selected:

a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

a) (1) – *Individuals responsible for collecting cash are not bonded.*

a) (2) – *No exceptions noted.*

a) (3) – *No exceptions noted.*

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

No exceptions noted.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

➤ Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions noted.

➤ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

No exceptions noted.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

No exceptions noted.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

Selected 25 disbursements and performed the procedures below.

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The Entity does not use a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The Entity does not use a requisition/purchase order system.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

No exceptions noted.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The person responsible for processing payments and also has the ability to add vendors to the purchasing system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

No exceptions noted.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this compliance area is not applicable.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

Not applicable

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

➤ An original itemized receipt (i.e., identifies precisely what was purchased).

➤ Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

No exceptions noted.

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Entity's maximum authorized lodging rate was \$150 per night which exceeded GSA rates by \$22 per night for New Orleans and \$53 per night for Baton Rouge for the months of May 2017 through September 2017. The per diem rates for meals and mileage did not exceed GSA rates.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We noted that one of the travel reimbursements included a reimbursement for alcohol; therefore, we tested the remaining travel reimbursements paid to this individual and noted no additional reimbursements for alcohol. The other two individuals tested were properly reimbursed according to the Insurance Fund's policies.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

No exceptions noted.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No exceptions noted.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No exceptions noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

No exceptions noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Management asserted that the Entity has no employees; therefore, this compliance area is not applicable.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Not applicable.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Not applicable.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

Not applicable.

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Not applicable.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Not applicable.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Not applicable.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Not applicable.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Not applicable.

Ethics

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Management asserted that the Entity has no employees; therefore, this procedure was not performed.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that no alleged ethics violations were reported to the Entity during the fiscal period.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No debt was issued during the fiscal period; therefore, this procedure was not performed.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No debt was issued during the fiscal period; therefore, this procedure was not performed.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted that the Entity is not aware of any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Hawthorn, Wainwright & Carroll, L.L.P.

June 19, 2018