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**LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUNDS  
FINANCIAL STATEMENTS**

Year Ended September 30, 1998

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STATE ARCHIVES

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Revised Code... **FEB 24 1997**

**GERALD A. WALKER**  
Certified Public Accountant

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**GERALD A. WALKER**  
Certified Public Accountant

Member  
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**INDEPENDENT AUDITOR'S REPORT**

To the Insurance Committee  
Louisiana Housing Council, Inc.  
1004, Louisiana

I have audited the accompanying financial statements of the Louisiana Housing Council Group Self Insurance Funds as of September 30, 1996. These financial statements are the responsibility of Louisiana Housing Council Group Self Insurance Funds' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards and Government Auditing Standards (1995 revision), issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Housing Council Group Self Insurance Funds as of September 30, 1996 and the results of its operations and its cash flows for the year ended September 30, 1996 in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT

PAGE 2

My audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements, and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated February 6, 1997 on my consideration of Louisiana Housing Council Group Self Insurance Funds' internal control structure and a report dated February 6, 1997 on its compliance with laws and regulations.

*Donald A. Walker*

Donald A. Walker, CPA  
February 6, 1997

LOUISIANA HOUSING COUNCIL GROUP SELF INSURANCE FUNDS

Enterprise Funds

Condensing Balance Sheet

Year Ended September 30, 1996

	Workers Compensation Fund	Health Fund	Long Term Disability Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 119,205	\$ 281,014	\$ -0-
Investments (Note 3)	296,833	342,683	-0-
Premiums receivable	71,777	16,253	935
Prepaid reinsurance	32,899	-0-	-0-
Prepaid insurance	-0-	-0-	-0-
Other receivables	-0-	-0-	-0-
LWCC Loss Fund	<u>38,880</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 525,624</u></b>	<b><u>\$ 720,848</u></b>	<b><u>\$ 935</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ -0-	\$ 262	\$ 935
Claims reserve	207,228	-0-	-0-
Deposit premiums	112,547	-0-	-0-
Unearned premiums	130,597	-0-	-0-
Commissions and fees paid	-0-	-0-	-0-
Policy premiums payable	-0-	-0-	-0-
Pensions/Fortitures Payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	451,172	262	935
Fund Equity	<u>70,452</u>	<u>719,586</u>	<u>-0-</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 521,624</u></b>	<b><u>\$ 719,848</u></b>	<b><u>\$ 935</u></b>

See Notes to Financial Statements

Life Insurance Fund	Pension Fund	Fire & Extended Coverage General Liability Public Officials Liability	Totals
\$ -0-	\$ 45,740	\$ -0-	\$ 502,198
-0-	-0-	-0-	683,193
833	7,711	13,807	100,297
-0-	-0-	-0-	33,809
-0-	-0-	1,433,833	1,433,833
-0-	38,239	973	21,234
-0-	-0-	-0-	38,800
<u>833</u>	<u>73,711</u>	<u>1,449,617</u>	<u>2,876,388</u>
-0-	191	8,991	8,299
-0-	-0-	-0-	287,238
-0-	-0-	-0-	102,947
-0-	-0-	1,433,833	1,986,812
-0-	-0-	8,821	8,821
833	32,251	-0-	34,084
-0-	38,239	-0-	38,239
<u>833</u>	<u>72,711</u>	<u>1,449,617</u>	<u>1,996,518</u>
-0-	-0-	-0-	288,378
\$ <u>833</u>	\$ <u>73,711</u>	\$ <u>1,449,617</u>	\$ <u>2,876,388</u>

## LOUISIANA HOUSING COUNCIL - GROUP SELF INSURANCE FUNDS

## Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Equity  
Year Ended September 30, 1996

	Workers Compensation Fund	Health Fund	Long Term Disability Fund
<b>Revenues:</b>			
Premiums earned	\$ 429,280	\$1,858,474	\$ 34,574
Premiums ceded	(182,865)	(157,878)	(1-8-1)
Net premiums earned (Net of )	246,415	900,596	34,574
Net investment income	19,141	56,877	-0-
Net realized gains and losses on securities available for sale	(438)	182	-0-
Other	-0-	12,800	1,570
<b>Total Revenues</b>	<b>285,246</b>	<b>968,371</b>	<b>38,044</b>
<b>Expenses:</b>			
Claims expenses	198,882	1,360,399	-0-
Loss reimbursement proceeds	(6-0-)	(180,522)	(1-0-)
Net incurred claims expenses	198,882	999,496	-0-
Administrative fees	19,946	34,247	1,570
Third party administrator fees	9,691	12,647	-0-
Insurance policies purchased	-0-	-0-	34,817
Commissions paid	-0-	-0-	-0-
Prescription cost claims	-0-	121,328	-0-
Other	3,882	1,022	-0-
<b>Total Expenses</b>	<b>232,412</b>	<b>1,068,700</b>	<b>38,287</b>
<b>Net Income (Loss)</b>	<b>52,834</b>	<b>(91,329)</b>	<b>(124)</b>
Unrealized holding gains or (losses)	-0-	( 3,784)	-0-
Fund Equity at beginning of year	47,558	852,689	361
Fund Equity at end of year	\$ 100,392	\$ 758,386	\$ -0-

See Notes to Financial Statements

116 Insurance Fund	Pension Fund	Fire & Extended Coverage General Liability Public Officials Liability	Total
\$ 58,475	\$ 616,384	\$ 1,377,971	\$ 2,572,178
<u>(1-0-1)</u>	<u>(1-0-1)</u>	<u>(1-0-1)</u>	<u>(320,563)</u>
58,475	616,384	1,377,971	2,251,615
-0-	-0-	-0-	75,978
-0-	-0-	-0-	(493)
<u>-0-</u>	<u>-0-</u>	<u>56,856</u>	<u>76,416</u>
<u>58,475</u>	<u>616,384</u>	<u>1,434,827</u>	<u>2,428,347</u>
-0-	-0-	-0-	1,500,281
<u>(1-0-1)</u>	<u>(1-0-1)</u>	<u>(1-0-1)</u>	<u>(488,852)</u>
-0-	-0-	-0-	1,040,328
-0-	1,216	4,880	61,098
-0-	-0-	-0-	22,338
58,475	615,368	1,377,971	2,086,411
-0-	-0-	52,796	52,796
-0-	-0-	-0-	121,338
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,913</u>
<u>58,475</u>	<u>616,384</u>	<u>1,434,827</u>	<u>2,429,185</u>
-0-	-0-	-0-	( 38,688)
-0-	-0-	-0-	( 2,784)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>901,500</u>
<u>1-0-</u>	<u>1-0-</u>	<u>1-0-</u>	<u>1,869,878</u>



LOUISIANA HOUSING COUNCIL, GROUP SELF-INSURANCE FUNDS

Enterprise Funds

Condensing Statement of Cash Flows

For The Year Ended September 30, 1996

	Workers Compensation Fund	Health Fund	Long Term Disability Fund
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 32,934	\$ ( 91,319)	\$ (243)
Loss adjustments for investment income	(119,141)	(138,837)	(100)
	33,793	(148,666)	(243)
<b>Adjustments to net income to net cash provided by operations:</b>			
Loss on sale of investments	783	98	-0-
Amortization of Discount/Premium	-0-	( 1,769)	-0-
(Increase) Decrease in receivables	87,360	832	248
Decrease in accrued investment income	5,555	-0-	-0-
(Increase) in prepaid expenses	(29,833)	-0-	-0-
Increase in unpaid claims liability	46,328	-0-	-0-
Increase in deposits	9,271	-0-	-0-
Increase in accrued premium	24,465	-0-	-0-
(Decrease) in accrued expenses	19,185	-0-	-0-
(Increase) in LMCC Loss Fund	(38,000)	-0-	-0-
Increase (Decrease) in accounts payable	-0-	(125,039)	( 100)
Increase in premiums payable	-0-	-0-	-0-
<b>Total adjustments</b>	<b>188,004</b>	<b>(125,865)</b>	<b>243</b>
<b>Net cash provided (used)</b>			
by operating activities	141,797	(178,031)	-0-
<b>Cash flows from investing activities:</b>			
Purchase of investment securities	(108,546)	( 46,235)	-0-
Proceeds from sale and maturity of investment securities	158,680	427,978	-0-
Interest and dividends on investments	19,141	33,351	-0-
<b>Net cash provided (used) in investing activities</b>	<b>69,275</b>	<b>388,894</b>	<b>-0-</b>
<b>Net increase (decrease) in cash</b>	<b>210,244</b>	<b>130,853</b>	<b>-0-</b>
Cash, beginning of year	55,160	60,159	-0-
<b>Cash, end of year</b>	<b>\$ 265,404</b>	<b>\$ 191,012</b>	<b>\$ -0-</b>

See Notes to Financial Statements

Life Insurance Fund	Pension Fund	Fine & Estimated Coverage General Liability Public Officials Liability	Totals
\$ -0-	\$ -0-	\$ -0-	\$ ( 38,638)
<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(30,638)</u>
-0-	-0-	-0-	( 19,638)
( 344)	( 17,694)	( 13,782)	58,688
-0-	-0-	-0-	3,335
-0-	-0-	( 46,408)	( 36,288)
-0-	-0-	-0-	48,728
-0-	-0-	-0-	9,271
-0-	-0-	48,408	78,871
-0-	-0-	-0-	( 6,103)
-0-	-0-	-0-	( 30,808)
(8,948)	7,871	13,782	( 183,218)
<u>-0-</u>	<u>43,833</u>	<u>-0-</u>	<u>43,833</u>
<u>69,243</u>	<u>32,452</u>	<u>-0-</u>	<u>6,488</u>
<u>69,243</u>	<u>32,452</u>	<u>-0-</u>	<u>( 188,135)</u>
-0-	-0-	-0-	(196,829)
-0-	-0-	-0-	377,978
-0-	-0-	-0-	72,292
-0-	-0-	-0-	881
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,789</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>452,545</u>
(9,241)	32,452	-0-	344,418
9,241	13,188	-0-	167,588
<u>\$ -0-</u>	<u>\$ 63,780</u>	<u>\$ -0-</u>	<u>\$ 512,006</u>

LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUNDS  
NOTES TO FINANCIAL STATEMENTS

Background information on Public Entity Risk Pools

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

In November, 1989, the Governmental Accounting Standards Board 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 Governmental Accounting Standards Board issued Statement No. 30 Risk Financing Definition: An Amendment of GASB Statement No. 10.

A "public entity risk pool" is defined in Governmental Accounting Standards Board (GASB) Statement No. 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools. They are:

- a. A risk-sharing pool - an arrangement by which governments pool risks and funds and share in the control of losses.
- b. An insurance-purchasing pool - an arrangement by which governments pool funds or resources to purchase commercial insurance products.
- c. A banking pool - an arrangement by which monies are made available for pool members in the event of loss on a loan basis.
- d. A 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  
GROUP SELF INSURANCE FUNDS  
NOTES TO FINANCIAL STATEMENTS

A pool could serve only one or several of these functions. Both the Workers Compensation Fund and the Health Insurance Fund are both a risk-sharing pool and an insurance-purchasing insurance-purchasing pool. All the other insurance funds are only insurance-purchasing pools. In 1983, the Louisiana Legislature enacted Louisiana Revised Statute 33:1353 through 33:1360, the "Local Housing Authority Self Insurance Act of 1983." LRS 33:1354 authorizes the Louisiana Housing Council, Inc. to be designated to administer an interlocal risk management agency, with the insurance committee of the Louisiana Housing Council, Inc. constituting the board of trustees for such agency. Louisiana Housing Council, Inc. (LHC) is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

Background on the Workers' Compensation Fund

The Workers Compensation Fund of the Louisiana Housing Council Group Self Insurance Funds is a public entity risk pool as defined by Statement No. 12 of the Governmental Accounting Standards Board (GASB). It is open to all housing authorities which are members of the Louisiana Housing Council. The Fund's general objectives are to formulate, develop, and administer, on behalf of the member housing authorities, a program of interlocal risk management and to obtain lower costs for that coverage. The risk of loss is transferred to the fund from the participating housing authorities. If the assets of the Fund were to be exhausted, participants would only be responsible for their respective outstanding claims.

The Fund was established on September 12, 1984. Approximately sixty five housing authorities were participating in the Fund as of September 30, 1996. Participation is voluntary and a participant may withdraw from the fund by giving proper notice.

LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUNDS  
NOTES TO FINANCIAL STATEMENTS

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

Broussard, Bush & Hurst - A Division of Arthur J. Gallagher & Co of La, Inc. (AB & H) is a third-party service agent hired by the Fund to perform the administrative functions such as premium billing and record keeping. Gallagher Bennett Insurance Service (GBI), a subsidiary of Arthur J. Gallagher & Co., was hired by the Fund to perform the claims processing. During fiscal year ending September 30, 1996, the Fund changed to the Louisiana Workers' Compensation Corporation to provide claims processing. As part of this change, the Fund had to establish a "Loss Deposit" account with LWC in the amount of \$10,000.

Background on the Health Fund

The Fund's general objectives are to formulate, develop, and administer, on behalf of the member housing authorities, a program of interlocal risk management and to obtain lower costs for that coverage. The risk of loss is transferred to the Fund from the participating housing authorities. If the assets of the Fund were to be exhausted, participants would only be responsible for their respective outstanding claims.

Approximately 107 housing authorities were participating in the Fund as of September 30, 1996. Participation is voluntary and a participant may withdraw from the Fund by giving proper notice.

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

LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUNDS  
NOTES TO FINANCIAL STATEMENTS

Brownward, Bush & First - A Division of Arthur J. Gallagher & Co. of La., Inc. (AB & N) is a third-party service agent hired by the Fund to perform the administrative functions such as premium billing and record keeping. American Group Administrators, Inc. of Hendersonville, Tennessee was hired by the Fund to perform the claims processing for the Health and Accident Fund.

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

**Cash and Cash Equivalents**

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

**Investments**

Governmental Accounting Standards Board (GASB) Statement No. 10 defines the accounting and reporting requirements for investments of public entity risk pools. Investments include certificates of deposit and U.S. government obligations. Investments are stated at market value.

**Premium Income and Accounts Receivable**

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

LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUNDS  
NOTES TO FINANCIAL STATEMENTS

Unpaid Claims Liability

(1) Workers' Compensation Fund and Health Insurance Fund

These Funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reimbursements recoverable on unpaid claims are deducted from the liability from 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 claims costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense are presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

(2) All Other Insurance Funds

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

Reinsurance

The Fund uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not

LOUISIANA HOUSING COUNCIL  
 GROUP SELF INSURANCE FUNDS  
 NOTES TO FINANCIAL STATEMENTS

discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those costs will not be covered by reinsurers. All of the reinsurance activity of the Workers Compensation Fund was associated with a single reinsurer and the reinsurance activity of the Health Fund was associated with another reinsurer.

Income Taxes

The Fund is exempt from federal income taxes under Sections 7703 and 115111 of the Internal Revenue Code.

**Note B - UNPAID CLAIMS LIABILITIES**

As discussed in Note A, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

(1) Workers Compensation Fund

The following represents changes in these Aggregate liabilities for the Fund during the past two years:

	<u>1996</u>	<u>1995</u>
Unpaid claims and claim adjustment expenses at beginning of period	\$102,500	\$100,000
incurred claims and claim adjustment expenses:		
Provision for insured events of the current year/period	181,743	231,445



LOUISIANA HOUSING COUNCIL  
 GROUP TERM INSURANCE FUNDS  
 NOTES TO FINANCIAL STATEMENTS

Increase (decrease) in provision for insured events of prior years	21,639	-0-
Total incurred claims and claims adjustment expenses	203,385	231,845
Payments:		
Claims and claims adjustment expenses attributable to in- sured events of current year	60,540	-0-
Claims and claims adjustment expenses attributable to in- sured events of prior years	109,885	70,845
Total payments	170,425	70,845
Total unpaid claims and claims adjustment expenses at end of year		
Unpaid claims reserve	\$208,112	\$160,999

There were no claims recoverable from the reinsurer at  
 September 30, 1996.

(2) Health Fund

The amount of claims paid after the end of the fiscal year for  
 claims incurred during the year was immaterial to the Fund or  
 the financial statements. Consequently, no entry was made for  
 the liability.

NOTE C - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Under Louisiana law (LSA-BS 19:1213) all local governments and  
 agencies must deposit their funds in a bank organized under  
 the laws of Louisiana or any other state of the United States,  
 or under the laws of the United States.

LOUISIANA HOUSING COUNCIL  
CREDIT RISK INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

12A - F.S. 39:1321 requires local depositing authorities to require as security for deposits, bonds or other interest-bearing securities of the United States, or any agency thereof, bonds or other interest-bearing obligations of the State of Louisiana or any sub-division thereof. The amount of this security shall at all times be equal to 100% of the amount on deposit that exceeds the amount insured by the FDIC.

The following table discloses the three categories of credit risks associated with deposits of cash and cash equivalents. The three categories of credit risk are described as:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name.

(2) Workers Compensation Fund

The following table discloses the three categories of credit risks associated with the deposits of cash and cash equivalents.

LOUISIANA BANKING COUNCIL  
GROUP SELF INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

	Risk Category			Carrying Amount
	1	2	3	
Insured deposits (FDIC)	\$28,874	\$ -0-	\$ -0-	\$ 28,874
Uninsured deposits:				
Collateralized	-0-	-0-	-0-	-0-
Uncollateralized	-0-	-0-	-0-	-0-
Money Market Funds				\$2,332
Total deposits	\$ -0-	\$ -0-	\$ -0-	\$31,206

(2) Assets Fund

The following table discloses the three categories of credit risks associated with the deposits of cash and cash equivalents.

	Risk Category			Carrying Amount
	1	2	3	
Insured deposits (FDIC)	\$ 2,856	\$ -0-	\$ -0-	\$ 2,856
Uninsured deposits:				
Collateralized	-0-	-0-	-0-	-0-
Uncollateralized	-0-	-0-	-0-	-0-
Money Market Fund				\$28,356
Total deposits	\$ -0-	-0-	-0-	\$28,356

NOTE D - INVESTMENTS

Louisiana RS 39:1271 defines investments allowed by local governments and political subdivisions in certain securities and mutual and trust funds. RS 39:1271 (A)(1) in part "All municipalities, parishes, ... and any and all other political subdivisions of the state shall invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, ... or time certificates of deposits of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, investments as stipulated in RS 33:2895, or any

LOUISIANA HOUSING COUNCIL  
 GROUP SELF INSURANCE FUND  
 NOTES TO FINANCIAL STATEMENTS

other federally insured investment including but not limited to securities issued by the Federal National Mortgage Association (FNMA) the Federal Home Loan Mortgage Corporation (FHLMC) the Federal Home Loan Bank (FHLB)...or in mutual or trust fund institutions which are registered with the Securities and Exchange Commission... and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies...

Investments can be classified according to the level of risk to the entity. There are three categories of risk.

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

(1) Workers Compensation Fund

At September 30, 1996 the investments were:

Types of Investments	Category of Risk			Carrying Amount
	1	2	3	
Certificate of Deposit	\$ 50,000	-0-	-0-	\$ 50,000
Treasury Bills	-0-	146,239	-0-	146,239
Treasury Notes	_____0-	100,594	_____0-	100,594
Total Investments	\$ 50,000	\$246,833	\$ -0-	\$296,833

LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

(2) Health Fund

At September 30, 1996 the investments were:

TYPE OF INVESTMENTS	Category of Risk			Carrying Amount
	1	2	3	
Certificate of Deposit	\$200,000	-0-	-0-	\$200,000
Treasury Bills	-0-	98,873	-0-	98,873
Treasury Notes	-0-	201,348	-0-	201,348
Mortgage Backed Securities	-0-	88,100	-0-	88,100
Total Investments	\$200,000	\$388,321	\$-0-	\$588,321

Realized gains and losses on securities transactions by year are:

1992	\$ 42
1993	62,344
1994	115,131
1995	198,644
1996	4,621
Net losses	\$ (116,321)

Note E - REINSURANCE POLICY COVERAGE

(1) Workers' Compensation Fund

During the period ended September 30, 1996, the Fund obtained reinsurance with maximum aggregate excess coverage of \$2,000,000 and maximum specific excess coverage of \$2,000,000. The self insured retention is \$25,000 each event and \$310,000 in aggregate. Premium ceded to reinsurers

LOUISIANA HOUSING COUNCIL  
GROUP SELF INSURANCE FUNDS  
NOTES TO FINANCIAL STATEMENTS

During the fiscal year ending September 30, 1996, were \$100,000 and the amount deducted from claims was \$-0-. All of the reinsurance activity was associated with a single reinsurer. There are no anticipated recoverable amounts as September 30, 1996.

(2) Health Fund

During the period ended September 30, 1996, the fund obtained reinsurance with each participant having a maximum coverage of \$1,000,000 lifetime. The self insured retention is \$25,000 for each individual. Premiums ceded to reinsurers during the fiscal year ending September 30, 1996 were \$157,878 and the amounts deducted from claims were \$409,953. All of the reinsurance activity was associated with a single reinsurer. There are no anticipated recoverable amounts as September 30, 1996.

Louisiana Housing Council  
Group-Term Insurance Funds  
Workers' Compensation Fund

Schedule 1

Two-year Claims Development Information

	Policy Year	
	Ended September 12	
	1995	1996
Required contribution and investment revenue		
Earned	\$ 412,700	\$ 429,901
Coded	<u>1,142,880</u>	<u>1,182,880</u>
Not earned	289,895	266,631
Unallocated expenses	20,893	23,929
Estimated claims and expenses, end of policy year		
Incurred	225,080	281,743
Coded	<u>1,000,000</u>	<u>1,000,000</u>
Not incurred	225,080	281,743
Not paid, cumulative as of:		
End of policy year	66,445	60,560
One year later	268,450	
Re-estimated coded claims and expenses	-0-	-0-
Re-estimated not incurred claims and expenses		
End of policy year	225,080	281,743
One year later	248,584	-0-
Increase in estimated not incurred claims and expenses from end of policy year	23,504	-0-

See Independent Auditor's Report

*Ten-year Claims Development Information (continued)*

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



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Insurance Committee  
Louisiana Housing Council, Inc.  
Iowa, Louisiana

I have audited the financial statements of the Louisiana Housing Council Group Self Insurance Funds as of and for the year ended September 30, 1996, and have issued my report thereon dated February 6, 1997.

I have conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards (1995 Revision), issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Louisiana Housing Council Group Self Insurance Funds is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also,

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL.  
PAGE 2

projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of the Fund for the year ended September 30, 1987, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in accounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

This report is intended for the information of the audit committee, management, the Louisiana Legislative Auditor, and the Louisiana Insurance Commission. However, this report is a matter of public record, and its distribution is not limited.

*Gerald A. Walker*  
Gerald A. Walker, CPA  
February 6, 1987

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Insurance Committee  
Louisiana Housing Council, Inc.  
Baton Rouge, Louisiana

I have audited the financial statements of the Louisiana Housing Council Group Self Insurance Funds as of and for the year ended September 30, 1994, and have issued my report thereon dated February 8, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulation, contracts, and grants applicable to the Fund is the responsibility of management of the Fund. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Fund's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts or grants, that cause me to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

PAGE 2

of my tests of compliance disclosed the following instances of noncompliance that may be material to the financial statements but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Fund's financial statements.

I. INVESTMENTS IN OUT OF STATE BANKS' CERTIFICATES OF DEPOSITS

Condition: The Fund invested in out of state banks' certificates of deposits. Of the \$118,084 investment balance, \$99,000 of the amount was invested in certificates of deposits. All of these were purchased from out of state banks.

Criteria: Louisiana RS 38:1271 defines investments allowed by local governments and political subdivisions in certain securities and mutual and trust funds. RS 38:1275 (A)(1) in part "All municipalities, parishes, ...and any and all other political subdivisions of the state shall invest in ...time certificates of deposits of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana..."

Cause: Research done by management revealed that the Fund would suffer a severe penalty if the certificate of deposit was redeemed. The certificate of deposit is FDIC insured and matures on 5-11-2005.

Effect: The Fund may be in violation of Louisiana law.

Recommendation: I recommend that the insurance committee investigate any approval or exception process that may be available to it so the Fund will not have to pay the penalty.

Management's Response: Management will continuously monitor the market for opportunities to sell the certificates of deposit for the face value. When these opportunities present themselves, management will sell the certificates of deposit.

21. Deposit in bank was not collateralized

Condition: On two occasions, the balance in one checking account exceeded the FDIC insurance limits. For the period 3/4/86 to 3/12/86, the balance ranged from \$188,183.85 to \$125,046.35. For the period 4/4/86 to 4/12/86, the balance ranged from \$183,086.77 to \$128,726.97.

Criteria: LSA-RS 39:1221 through 39:1226 are the statutes pertaining to security for deposits. RS 39:1221 requires there be security for deposits and lists the approved types of securities. RS 39:1225 states that the amount of the security shall at all times be equal to 100% of the amount on deposit that exceeds the FDIC limit.

Cause: This is an imprest checking account used to pay claims. Normally, the balance is low, but on occasions the deposit to cover claims is large. No employee has been assigned the responsibility to monitor the balance to identify possible excess amounts in the account.

Effect: The Fund is not in compliance with the Louisiana statutes, plus there is the possibility of a large loss if the bank were to default.

Recommendation: One employee be assigned the responsibility to monitor the balance when a deposit is to be made and the deposit could cause the balance to exceed \$100,000.

Management's response: The bank where the funds are deposited will monitor the account and will collateralize any balances over \$100,000.

I considered these instances of noncompliance in forming my opinion on whether Louisiana Housing Council Group Self Insurance Funds financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated February 5, 1987, on those financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
PAGE 4

This report is intended for the information of the insurance committee, management, the Louisiana Legislative Auditor, and the Louisiana Insurance Commission. However, this report is a matter of public record and its distribution is not limited.

*Gerald A. Walker*

Gerald A. Walker, CPA  
February 6, 1997