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LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
ACCOUNTS AND HEALTH FUND

Financial Statements

December 31, 1985 and 1986

With Independent Auditors' Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity 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.

Release Date 6/20/86

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

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# KPMG Peat Marwick LLP

June 2000 (no other dates)  
New Orleans, LA 70002-2000

## Independent Auditors' Report

Officers and Trustees  
Louisiana Municipal Risk Management Agency  
Accident and Health Fund

We have audited the accompanying balance sheets of Louisiana Municipal Risk Management Agency - Accident and Health Fund (a quasi-public organization) (the Fund) as of December 31, 1997 and 1998, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. Those financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on those financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Risk Management Agency - Accident and Health Fund as of December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 4 to the financial statements, effective January 1, 1999, Louisiana Municipal Risk Management Agency - Accident and Health Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

In accordance with Government Auditing Standards, we have also issued a report, dated May 18, 2000, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



May 28, 1999

KPMG

The Global Leader

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LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYMENT COMPENSATION FUND

Financial Statements

December 31, 1997 and 1998

With Independent Auditor's Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity 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.

Release Date \_\_\_\_\_

LOUISIANA MUNICIPAL ASSOCIATION  
UNEMPLOYMENT COMPENSATION FUND

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LOUISIANA MEDICAL ASSOCIATION  
UNEMPLOYMENT COMPENSATION FUND

BALANCE SHEET

December 31, 1997 and 1998

<u>Assets</u>	<u>1997</u>	<u>1998</u>
Cash in banks (note 3)	\$ 33,840	40,890
Receivables receivable	98,804	96,948
Accrued interest receivable	86,743	27,016
Investments (note 3)	<u>5,837,328</u>	<u>5,145,594</u>
	\$ 5,856,715	5,310,448
<u>Liabilities and retained earnings</u>		
Liabilities:		
Accrued expenses	4,714	13,933
Unpaid claims reserves (note 3)	<u>43,758</u>	<u>85,367</u>
	48,472	99,299
Retained earnings	5,808,243	5,211,149
	\$ 5,856,715	5,310,448

See accompanying notes to financial statements.

LOUISIANA MEDICAL ASSOCIATION  
 UNEMPLOYMENT COMPENSATION FUND

statements of Revenues, Expenses and Changes in Retained Earnings

Years ended December 31, 1997 and 1996

	1997	1996
Revenues:		
Premium income	\$ 156,813	203,350
Investment income (Note 2)	<u>486,413</u>	<u>145,890</u>
Total revenues	<u>643,226</u>	<u>349,240</u>
Expenses:		
Claims expense (Note 2)	165,898	122,381
Service agent	21,895	22,827
Miscellaneous	<u>6,128</u>	<u>6,513</u>
Total expenses	<u>193,921</u>	<u>151,721</u>
Net income	<u>449,305</u>	<u>197,519</u>
Retained earnings, beginning of year - as previously reported	1,200,248	1,763,848
Change in accounting principle (note 3)	-----	13,298,281
Retained earnings, as restated, beginning of year	1,200,248	1,777,146
Retained earnings, end of year	4 1,649,613	1,974,665

See accompanying notes to financial statements.

LOUISIANA MEDICAL ASSOCIATION  
MEMBERSHIP CORPORATION FUND

Statements of Cash Flows

Years ended December 31, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net income	\$ 476,384	4,559
Less adjustment for investment income (loss)	<u>(484,410)</u>	<u>43,882</u>
	(28,026)	52,441
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Increase in receivables	27,384	13,178
Increase in prepaid claims reserve	5,387	3,882
(Decrease) increase in accrued expenses	<u>(16,519)</u>	<u>1,383</u>
Total adjustments	<u>16,252</u>	<u>18,443</u>
Net cash (used in) provided by operating activities	<u>11,774</u>	<u>70,884</u>
Cash flows from investing activities:		
Purchase of investments	(480,287)	(1,185,444)
Sale or maturity of investments	628,327	754,480
Interest income received	<u>245,267</u>	<u>242,965</u>
Net cash used by investing activities	<u>(16,693)</u>	<u>(188,002)</u>
Net decrease in cash	(4,919)	(117,118)
Cash, beginning of year	<u>43,882</u>	<u>161,002</u>
Cash, end of year	<u>\$ 38,963</u>	<u>43,884</u>

See accompanying notes to financial statements.



LOUISIANA MUNICIPAL ASSOCIATION  
UNEMPLOYMENT COMPENSATION FUND

Notes to Financial Statements

December 31, 1999 and 1998

11. Significant Accounting Policies

101. Background and Financial Statement Presentation

Louisiana Municipal Association - Unemployment Compensation Fund (the Fund) was formed under Louisiana Revised Statutes 28:2602. The Fund consists of Louisiana municipalities joined together in self-insurance agreements with respect to unemployment compensation fund coverage. Administration of the Fund is vested in the Executive Board of Louisiana Municipal Association.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

As of December 31, 1997, there were 2,172 participants and 127 participating municipalities. As of December 31, 1999, there were 2,526 participants and 143 participating municipalities.

The Fund and LMA are affiliated through common ownership and management control. Although both of these entities are related parties, their equity is 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 GAAP 28 and GAAP 14.

102. Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement basis. The Fund applies all applicable GASB pronouncements issued on or before November 18, 1998 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

103. Cash and Cash Flows

For the purposes of the Statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more or are renewed continuously, they are classified as investments. Deposits are carried at cost and are separately displayed on the balance sheets as cash in banks.

(Continued)

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYMENT COMPENSATION FUND

Notes to Financial Statements

100 Investments

Investments are reported at fair value except for short-term and money market investments, consisting primarily of U.S. treasury obligations with a maturity of one year or less at time of purchase, which reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses on investments recorded at fair value are included in investment income. Investments are valued at quoted market prices, as determined by the Fund's investment managers and trustee.

Included in investments are certificates of deposit with original maturities of greater than 90 days, deposits in money market accounts, certificates of deposit, investments in U.S. Government Agency Obligations and Treasury and short-term repurchase agreements.

101 Unpaid Claims Liability

Claims expense consists of estimated amounts for claims incurred during the current year and adjustments to the accounting estimate of prior years' claim expense, because the adjustment to prior years' loss amounts represents changes in accounting estimates. These changes are reflected in earnings in the period they become known. The Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported, but not yet settled.

102 Income Taxes

The Fund is exempt from Federal income taxes under Sections 1700 and 1751(i) of the Internal Revenue Code.

103 Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

(Continued)

LOUISIANA MEDICAL ASSOCIATION  
UNEMPLOYMENT CORPORATION FUND

Notes to Financial Statements

10) Claims Expense and unpaid Claims Expense

The following represents changes in the aggregate liabilities for the Fund for the years ended December 31, 1997 and 1998.

	1997	1998
	(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	\$ .48	.48
Incurred claims and claim adjustment expenses - premiums for insured events of the current year	152	152
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(188)	(182)
Claims and claim adjustment expenses attributable to insured events of prior years	(82)	(100)
Total payments	(270)	(282)
Total unpaid claims and claim adjustment expenses at end of year	\$ .88	.80

Unpaid claims have not exceeded insurance coverage in any of the past three fiscal years.

11) Cash and Investments

Cash in banks is carried at cost. Certificates of deposit, money market accounts and repurchase agreements are included in investments in their source maturity is greater than 90 days and the amounts are reinvested automatically.

The demand deposits are categorized to give an indication of the level of risk assumed at year end. "Insured" deposits are those balances protected by Federal depository insurance or pledged collateral. "Uninsured" deposits are those balances in excess of Federal depository insurance- both account balances and certificates of deposit as limited held but either insured or covered by collateral as follows:

	1997	1998
Insured	\$ 33,848	\$3,882
Uninsured	-	-
	\$ 33,848	\$3,882

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are certificates of deposit, money market accounts and repurchase agreements.

(Continued)

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYMENT COMPENSATION FUND

NOTE TO FINANCIAL STATEMENTS

The Fund's investments are categorized as follows to give an indication of the level of risk assumed by the Fund at year-end. Category 1 securities are held by the Fund or its agent in the Fund's name. Category 2 includes unsecured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name. Category 3 includes unsecured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Fund's name.

The market value for investments by security type at December 31 are as follows:

	1997		1998	
	Market Value	Category	Market Value	Category
Certificates of Deposit	\$ -	-	\$ 380,808	-
Money market accounts	618,448	-	86,978	-
U.S. Government Agency obligations	2,418,024	2	2,881,844	1
U.S. Treasury securities	2,479,893	3	2,316,860	1
	\$ 5,517,173		\$ 5,666,590	

The scheduled maturities of securities held were as follows at December 31:

	1997	1998
Due in one year	\$ 982,788	128,818
Due after one year through five years	2,185,238	888,221
Due after five years through ten years	1,570,977	1,190,165
Due after ten years	2,813,895	2,129,188
	\$ 7,553,908	4,336,492

Included in investment balances as of December 31, 1997 and 1998 are derivative investments. These investments included U.S. Treasury strips and collateralized mortgage obligations with market value of \$2,884,148 and \$2,882,877 as of December 31, 1997 and 1998, respectively. These derivative investments are interest rate sensitive, and as a result, could experience significant future market value fluctuations.

Effective January 1, 1998, Louisiana Municipal Risk Management Agency - Employment Compensation Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting for Financial Reporting for Certain Investments and for Related Investments Funds. This statement establishes fair value standards for investments in debt securities. Fair value is the amount in which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities now report debt securities at fair value on the

(Continued)

LOUISIANA MUNICIPAL ASSOCIATION  
 UNEMPLOYMENT COMPENSATION FUND

Notes to Financial Statements

Inland 2004. The Louisiana Municipal Risk Management Agency - Unemployment Compensation Fund has restated its retained earnings balance as of January 1, 2004 to conform to the policies and presentation requirements of GASB No. 34.

The retroactive application of the change in accounting policy for investments resulted in an increase in the amounts reported as investments and retained earnings as previously reported as follows:

Retained earnings, January 1, 2004, as previously reported		\$ 5,793,488
Adjustment for unrealized market loss on investments		<u>(325,325)</u>
Retained earnings, January 1, 2004, as restated		\$ 5,468,163
Net income as previously reported for the year ended December 31, 2004	\$ 382,104	
adjustment for unrealized market loss on investments	<u>(325,325)</u>	
Net income for the year ended December 31, 2004, as restated		<u>56,779</u>
Retained earnings, December 31, 2004, as restated		\$ 5,524,942

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING ISSUED ON AN AID OF FINANCIAL STATEMENTS PREPARED  
IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Officers and Trustees  
Louisiana Municipal Association  
Employment Compensation Fund:

We have audited the financial statements of Louisiana Municipal Association - Employment Compensation Fund (the Fund) as of and for the year ended December 31, 1997, and have issued our report thereon dated May 19, 1998 which included an explanatory paragraph concerning the adoption of Government Accounting Standards Board's Statement No. 33 Accounting and Financial Reporting for Certain Investments and External Investment Pools. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Louisiana Municipal Administrators, Unemployment Compensation Fund, the Louisiana Legislative Auditor's Office and the Commissioner of Insurance, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

May 18, 1988

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING MADE BY AN AUDITOR OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees  
Louisiana Municipal Risk Management Agency  
Accident and Health Fund

We have audited the financial statements of Louisiana Municipal Risk Management Agency - Accident and Health Fund as of and for the year ended December 31, 1997, and have issued our report thereon dated May 18, 1998, which included an explanatory paragraph concerning the adoption of Governmental Accounting Standards Board's Statement No. 34 Accounting and Financial Reporting for Certain Investments and for General Government Funds. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, amendments with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all weaknesses in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial



statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Louisiana Municipal Risk Management Agency - Insurers and Health Fund, the Louisiana Legislative Auditor's Office and the Commissioner of Insurance, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*KPMG Cost Accountants LLP*

May 10, 2000

# KPMG Peat Marwick LLP

Suite 2000 Old Shell Square  
New Orleans, LA 70112-3889

## INDEPENDENT AUDITOR'S REPORT

Officers and Trustees  
Louisiana Municipal Association  
Unemployment Compensation Fund

We have audited the accompanying balance sheets of Louisiana Municipal Association - Unemployment Compensation Fund (a quasi-public organization) (the Fund) as of December 31, 1997 and 1996, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Association - Unemployment Compensation Fund as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 2 to the financial statements, effective January 1, 1996, Louisiana Municipal Risk Management Agency - Unemployment Compensation Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Government Bonds.

In accordance with government auditing standards, we have also issued a report, dated May 18, 1998, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*KPMG Peat Marwick LLP*

May 18, 1998

# KPMG Peat Marwick LLP

2500 One Shell Square  
New Orleans, LA 70002-3089

## Independent Auditors' Report

Officers and Trustees  
Louisiana Municipal Reserve Fund Agency

We have audited the accompanying Balance Sheet of Louisiana Municipal Reserve Fund Agency in quasi-public consolidation (the Fund) as of December 31, 1997 and 1996, and the related statements of revenues, expenses and retained earnings, and cash flows for the years then ended. Those financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on those financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with government auditing standards, issued by the Comptroller General of the United States. These standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Reserve Fund Agency as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 4 to the financial statements, effective January 1, 1998, Louisiana Municipal Reserve Fund Agency adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

In accordance with government auditing standards, we have also issued a report, dated May 18, 1998, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were made for the purpose of forming an opinion on the basic 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*KPMG Peat Marwick LLP*

May 18, 1998

LOUISIANA MUNICIPAL FIRE MANAGEMENT BOARD  
ACCIDENT AND HEALTH FUND

Balance Sheet

December 31, 1997 and 1996

Assets	1997	1996
Cash (Note 4)	\$ -	2,258
Investments (Note 4)	3,088,889	1,947,827
Reinsurance receivable	575,138	586,784
Accounts receivable	142,471	87,267
Accrued interest receivable	<u>18,121</u>	<u>18,120</u>
Total assets	\$ <u>3,778,329</u>	<u>2,708,094</u>
Liabilities and Retained Earnings		
Liabilities:		
Unpaid claims liability (Note 3)	3,038,889	3,038,889
Due to affiliates (Note 3)	32,488	28,822
Amounts payable	<u>18,120</u>	<u>18,481</u>
	3,089,497	3,107,321
Retained earnings (Note 4)	<u>388,880</u>	<u>398,712</u>
	\$ <u>3,778,329</u>	<u>2,708,094</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL FIRE MANAGEMENT BOARD  
ACCIDENT AND HEALTH FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
YEARS ENDED DECEMBER 31, 1969 and 1968

	<u>1969</u>	<u>1968</u>
Operating revenues:		
Premium income	\$ 8,287,268	8,250,814
Contribution from 1968	4,800	825,800
Investment income	<u>288,882</u>	<u>83,165</u>
Total operating revenue	<u>8,410,849</u>	<u>10,159,779</u>
Operating expenses:		
Administrative fees Code 21	17,843	21,218
Claims expense Code 10	9,375,114	9,311,537
Reinsurance premiums	387,113	487,883
Service agent fees Code 21	388,895	469,877
Miscellaneous	<u>4,800</u>	<u>6,555</u>
Total operating expenses	<u>10,173,765</u>	<u>10,316,700</u>
net income	336,984	343,079
Retained earnings (accumulated deficit), as related, beginning of year (note 4)	<u>148,728</u>	<u>17,380</u>
Retained earnings, as related, end of year (note 4)	\$ <u>392,088</u>	<u>116,729</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Statements of Cash Flows

Years ended December 31, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net income	\$ 208,284	143,918
Less adjustment for investment income	<u>(128,803)</u>	<u>(55,183)</u>
	179,481	88,735
Adjustments to reconcile net income to net cash used in operations:		
Provision for market valuation	12,978	-
Increase in reinsurance receivable	(368,554)	(145,332)
Decrease/ increase in receivables	(46,334)	26,485
Increase in unpaid claims liability	(38,048)	(215,896)
Decrease (increase) in accounts payable, due to affiliates	<u>(228,272)</u>	<u>(132,728)</u>
total adjustments	<u>(728,220)</u>	<u>(567,471)</u>
Net cash used in operating activities	<u>(548,739)</u>	<u>(478,736)</u>
Cash flows from investing activities:		
Purchase of investments	(2,428,888)	(2,183,348)
Settlements of investments	2,388,495	2,361,450
Investment interest received	<u>(18,222)</u>	<u>(8,828)</u>
Net cash provided by (used in) investing activities	<u>(10,723)</u>	<u>(607,726)</u>
Net increase (decrease) in cash	12,050	2,954
Cash, beginning of year	<u>2,954</u>	<u>-</u>
Cash, end of year	\$ 15,000	\$ 3,258

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACTIVITY AND BALANCE SHEET

Notes to Financial Statements

December 31, 1997 and 1996

(b) Significant Accounting Policies

(a) Background and Financial Statements Presentation

Louisiana Municipal Risk Management Agency (LORMA) was formed under Louisiana Act No. 482 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 13:1361-1364, all local government subdivisions in the State of Louisiana are eligible to participate. The Accident and Health Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of municipal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the board of the Fund after consultation with the actuaries. If the assets of the Fund were to be exhausted, members would may be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LORMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LORFPA) was formed under Louisiana Revised Statutes 13:1365-1367. LORFPA consists of individual risk management agencies pooling various funds to provide reinsurance. Administration of the Agency is vested in the Executive Board of LMA. As of each December 31, 1997 and 1996, there were 12 and 74 participating municipalities, respectively.

The various LORMA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various fund balances 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 GAAP 19 and 2400-14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of resources management system. The Fund applies all applicable GAAP pronouncements issued on or before December 31, 1995 in accounting for its operations unless those pronouncements conflict with or contradict GAAP pronouncements.

(continued)

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

(c) Investments

Investments are reported at Fair Value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses on investments recorded at fair value are included in investment income. Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government Agency obligations.

(d) Premiums Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known.

(e) Unpaid Claims Liability

The Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustments) reported that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs may be estimated varies depending on the coverage involved. Estimated amounts of reimbursements recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim 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 computed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are changed or revised in response in the period in which they are made. The carrying amount of liabilities for claims losses and claim expenses is presented at the estimated claim amount in the financial statements.

(f) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more or are reinvested continuously, they are classified as investments.

(Continued)



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

(a) Reinsurance

The Fund uses reinsurance to reduce its exposure to large losses or insured events. Further descriptions of the reinsurance coverage is described in note 5. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not 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 risks will not be covered by reinsurers. Claims expense consists 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.

(b) Income Taxes

The Fund is exempt from Federal income taxes under Sections 7901 and 7911 of the Internal Revenue Code.

(c) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(2) RELATED PARTY TRANSACTIONS

(a) Fees and Services

LMA, MRI and MHPA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the respective earned normal premiums as follows:

	1997	1996
Expenses:		
Administrative fees - LMA \$4.48 per person per month	\$ 17,842	23,038
Service agent fees - MRI \$13.85 for health participation and \$3.38 for dental participation	\$ 208,893	\$68,077
Due to affiliates:		
LMA	3,381	3,582
MRI	13,132	23,298
	\$ 224,348	\$118,095

The Fund changed its reinsurer in 1995 as described in note 5.

(continued)

LOUISIANA MEDICARE RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

STATE OF FINANCIAL STATEMENTS

(b) Premiums, Retention, and Contributions

During 1995, 1994's board resolved to rebate \$348,000 of the 1994 amount earned from back to the municipalities in the form of credits toward their 1995 earned normal premium payments. The \$348,000 was paid to the Fund prior to December 31, 1995 and is included in earned premium in the year ended December 31, 1995.

During 1996, because of the increase in claims expense, 1996's board contributed \$203,880 to assist the Fund in paying claims; this amount is reflected as a contribution on the statement of revenue, expenses and changes in retained earnings.

(3) Claims Expense and Unpaid Claims Reserve

The following represents changes in the aggregate liabilities for the Fund for the years ended December 31, 1997 and 1996:

	1997	1996
	Amounts in thousands	
Unpaid claims and claim adjustments		
expenses at beginning of year	\$ 2,039	2,265
Incurred claims and claim adjustments		
expense-provision for insured events	8,332	8,381
Total incurred claims and claims		
adjustment expense	14,247	11,746
Less payments - claims and claim		
adjustment expense	17,223	18,273
Total unpaid claims and claim		
adjustment expense at end of year	2,147	2,297
Less claims covered by reinsurer	(327)	(187)
Unpaid claims reserve	\$ 2,820	2,810

Settled claims have not exceeded insurance coverage in any of the past three (three) years.

(4) Deposits and Investments

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these agencies shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of \$250,000 or 1% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Agency is in compliance with these revised provisions as of and during the period ended December 31, 1997 and 1996.

(Over) (Under)

LOUISIANA MUNICIPAL BOND MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

All demand deposits and certificates of deposits are insured or collateralized by pledged securities held by an agent in the name of the Fund.

	1995
Insured	\$ 2,708
Collateralized	—
	<u>\$ 2,708</u>

There were no General Deposits as of December 31, 1995.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may assume any surplus besides its obligations to the U.S. Government and its agencies, as well as financial institutions. Included in investments are certificates of deposit, money market accounts, U.S. Government obligations and repurchase agreements. During 1995, the Fund changed its policy of maintaining a cash account into wire transferring cash as needed from investments to support disbursements. Consequently, a zero cash balance is now maintained.

The Fund's investments are categorized below to give an indication of the level of risk assumed by the Fund on a year-end. Category 1 securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Fund's name.

The Fund's investments are categorized below as of December 31:

	1995	1994	1993
Certificates of deposit	\$ 188,000	188,000	-
Money market accounts	3,147,500	426,700	-
U.S. Government Agencies	645,800	998,200	3
U.S. Government Treasury securities	<u>—</u>	<u>435,800</u>	<u>3</u>
	<u>\$ 2,881,300</u>	<u>2,648,700</u>	

The certificates of deposits are insured or collateralized by obligations of the U.S. Government, registered in the name of and held by the Fund's agent.

(Continued)

**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND**

**Notes to Financial Statements**

The scheduled maturities of investments held were as follows as of December 31:

	1993	1996
Due in one year	\$ 1,844,428	1,840,460
Due after one year through five years	<u>215,051</u>	<u>216,398</u>
	\$ 2,059,479	2,056,858

Effective January 1, 1996, Louisiana Municipal Risk Management Agency - Accident and Health Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting for Financial Reporting for Certain Investments and for External Investment Pools. This statement establishes fair value standards for investments in debt securities. Fair value is the amount to which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. The Louisiana Municipal Risk Management Agency - Accident and Health Fund has restated its retained earnings balance as of January 1, 1996 to conform to the policies and presentation requirements of GASB No. 31.

The retrospective application of the change in accounting policy for investments resulted in an increase in the amounts reported as investments and retained earnings as previously reported as follows:

Retained earnings (accumulated deficits), January 1, 1996, as previously reported	\$ 142,288
Adjustment for unrealized market gain on investments	<u>5,288</u>
Retained earnings, January 1, 1996, as restated	147,576
Net income as previously reported for the year ended December 31, 1996	\$ 140,708
Adjustment for unrealized market loss on investments	<u>(8,738)</u>
Net income for the year ended December 31, 1996, as restated	131,970
Retained earnings, December 31, 1996, as restated	\$ 279,546

**00 Reinsurance Policy Coverage**

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

(Continued)

LOUISIANA MUNICIPAL FIRE MARSHALRY AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

Subsequent to December 31, 1994, the Fund obtained reinsurance from a commercial insurer to provide the following coverage:

- Item I: Annual aggregate in excess of 15% of annual aggregate retentions.
- Item II: \$750,000 each and every loss in excess of \$100,000 each and every loss.

The commercial reinsurer covered all claims incurred in 1995 and thereafter. No claims for reinsurance are outstanding from LMFPA as of December 31, 1997 and 1996.

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LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

Financial Statements and Schedule

December 31, 1991 and 1990

With Independent Auditors' Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity 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.

Release Date \_\_\_\_\_

LOUISIANA MUNICIPAL  
REVENUE FUND AGENCY

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LOUISIANA MUNICIPAL  
RESERVE FUND ACCOUNT

Balance Sheets

December 31, 1997 and 1996

<u>Assets</u>	1997	1996
Cash (note 4)	\$ 500,044	87,879
Investments (note 4)	27,880,854	14,100,816
Due from affiliated State St. net	540,713	441,647
Receivable interest receivable	241,000	217,713
Reinsurance receivable	<u>320,000</u>	<u>-</u>
	\$ 28,882,611	25,221,199
<u>Liabilities and Retained Earnings</u>		
<u>Liabilities:</u>		
Unpaid claims reserve (note 3)	14,882,000	13,852,000
Deferred premium	300,000	43,513
Reinsurance payable	500,000	400,500
Accrued expenses	<u>9,234</u>	<u>4,587</u>
	15,691,234	14,699,599
Retained earnings	<u>13,191,377</u>	<u>10,521,600</u>
	\$ 28,882,611	25,221,199

See accompanying notes to financial statements.



LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

Statement of Revenues, Expenses and Changes in Retained Earnings

Years ended December 31, 1997 and 1996

	1997	1996
<b>Revenues:</b>		
Premium income (note 3)	\$ 2,468,931	2,457,933
Investment income	2,548,028	897,848
Contributions	-	828,599
<b>Total revenues</b>	<u>5,016,959</u>	<u>4,174,380</u>
<b>Expenses:</b>		
Claims expense (note 3)	3,125,950	583,386
Reinsurance premium expense	308,334	367,089
Miscellaneous	<u>48,173</u>	<u>28,876</u>
<b>Total expenses</b>	<u>3,482,457</u>	<u>979,351</u>
<b>Net income</b>	1,534,502	3,175,029
Retained earnings, as restated, beginning of year (note 4)	18,931,331	1,756,303
Retained earnings, as restated, end of year (note 4)	\$ 20,465,833	18,931,331

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

Statement of Cash Flows

Years ended December 31, 1997 and 1998

	1997	1998
Cash Flows from operating activities:		
Net income	\$ 2,589,890	3,781,453
Item adjustments for investments income	(7,328,829)	(2,344,881)
	<u>129,861</u>	<u>2,436,572</u>
Adjustments to reconcile net income to net cash provided by operations:		
Increase in due from affiliates and insurance receivable	(281,864)	(154,385)
Increase (decrease) in unpaid claims reserves	900,000	12,348,160
Increase (decrease) in accrued premium and accrued expenses	<u>10,521</u>	<u>485,850</u>
Total adjustments	<u>428,477</u>	<u>12,521,525</u>
Net cash provided by operating activities	<u>558,338</u>	<u>2,248,747</u>
Cash Flows from investing activities:		
Purchase of investments	(7,380,341)	12,773,104
Sale/maturity of investments	4,428,834	1,259,498
Investment interest received	2,486,507	2,354,383
Net cash used in investing activities	<u>165,280</u>	<u>12,527,885</u>
Net increase (decrease) in cash	15,268	(13,201)
Cash, beginning of year	<u>87,878</u>	<u>280,288</u>
Cash, end of year	\$ 103,146	\$ 267,087

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

Notes to Financial Statements

December 31, 1999 and 1998

101 Significant Accounting Policies

1a) Background and Financial Statement Presentation

Louisiana Municipal Reserve Fund Agency (LMBFA) or the Fund was formed under Louisiana Revised Statutes R11149(A). LMBFA consists of interlocal risk management apportion pooling member funds to provide reinsurance. Administration of the Agency is vested in the Executive Board of LMB. LMBFA reinsures the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability, Workers' Compensation, and Accident and Health Funds. LMBFA also reinsures three municipalities.

LMBFA was formed under Louisiana Act No. 482 of 1978 to provide a program of workers' compensation, accident and health, and public liability coverage for its member municipalities. Its members, with Revised Statutes R11141-1956, all local government subdivisions in the State of Louisiana are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund may be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-making policies have been established by the Board of LMBFA after consultation with the actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana. LMA acts as the administrator for LMBFA.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMBFA Insurance Funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

The various LMBFA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various equity accounts 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 GASB 19 and GASB 34.

102 Basis of Accounting

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

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LEGISLATIVE MEDICAL  
RESERVE FUND BOARD

NOTES TO FINANCIAL STATEMENTS

measurement focus. The Fund applies all applicable fair pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

(C) INVESTMENTS

Investments are reported at fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available. If not available, fair value is based on estimated fair value. Realized gains and losses on investments recorded at fair value are included in investment income. Investments include certificates of deposit, money market accounts, repurchase agreements, and U.S. government Agency and Treasury obligations.

(D) Premium Income and Res. from LHMFA

The premium income of LHMFA collected in the current year is based on a percentage of earned annual premium of LHMFA workers' compensation and public liability funds, and on a per covered participant basis for LHMFA accident and health fund year ends 21. For the years ended December 31, 1987 and 1988, LHMFA provided reinsurance directly to municipalities for a total premium of \$132,431 and \$144,870, respectively.

(E) Unpaid Claims Liability

The Fund 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 length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The carrying amount of liabilities for claim losses and claim expense are presented at present value in the financial statements. The costs associated

(Continued)

LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

Notes to Financial Statements

with one and removed certificates, in unexpired costs, are immaterial to the financial statements and are expensed when incurred. Such reserves have been discounted at 5.75 and 6.50 at December 31, 1997 and 1996, respectively.

10) Statement of Cash Flows

For the purpose of the statements of cash flows, cash includes cash in-demand deposit accounts with banks. Money certificates or deposit, money market, and repurchase agreements are usually purchased with maturities of 90 days or more, they are classified as investments (see note 4).

11) Income Taxes

The Agency is exempt from Federal income taxes under Sections 7701 and 115101 of the Internal Revenue Code.

12) USE OF ESTIMATES

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to PROVIDER these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

13) Related Party Transactions

LMA, EMI and MSBA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the respective earned annual premiums (EAP) as follows:

	Percentage	1997	1996
	EAP		
Percentage income:			
MSBA:			
Public Liability	24.5% EAP	\$ 1,700,000	1,507,541
Workers' Compensation	10.5% EAP	715,120	740,070
		\$ 2,415,120	2,247,611
Fee from affiliates:			
MSBA Public Liability		470,000	340,000
MSBA Workers' Compensation		82,000	75,000
		\$ 552,000	415,000

(Continued)

LOUISIANA MUNICIPAL  
 FIREWORK FUND ACCOUNT

Notes to Financial Statements

131 Claims Expense and Unpaid Claims Reserve

The following represents changes in the appropriate liabilities for the Fund for the years ended December 31, 1997 and 1996:

	1997	1996
	(Amounts in thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 28,912	23,543
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	3,964	1,883
Increase (Decrease) in provision for insured events of prior years	(4,575)	(4,023)
Total incurred claims and claim adjustment expense	(611)	(2,140)
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(1491)	-
Claims and claim adjustment expenses attributable to insured events of prior years	(3,372)	(3,424)
Total payments	(4,863)	(3,424)
Total unpaid claims and claim adjustment expenses at end of year	23,698	18,973
Less discounting at 8% and 9% for 1997 and 1996	(3,388)	(4,023)
Unpaid claims reserve	\$ 20,310	14,950

settled claims in 1997 have not exceeded insurance coverage.

141 Deposits and Investments

LSMFA must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these agencies shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 1% of the contribution of deposits, undivided profits and reserves as currently reported by the financial institution. As regard to deposits and investments, the Fund is in compliance with these revised provisions during the years ended December 31, 1997 and 1996.

Continued

LOUISIANA MUNICIPAL  
REVENUE FUND AGENCY

NOTES to Financial Statements

The deposit deposits are categorized below to give an indication of the level of risk assumed at year end. "Insured" deposits are those balances protected by federal depository insurance. "Uninsured" deposits are those balances in excess of federal depository insurance.

	1997	1998
Insured	\$ 280,344	\$7,879
Uninsured	—	—
	\$ 280,344	\$7,879

Under Rule Number 4 of the Commission of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions, included in investments and certificates of deposit, money market accounts and repurchase agreements.

Category 1 investments include securities which are insured or registered on securities held by MSRB or its agent, in MSRA's name. The U.S. Government agency obligations investments are direct obligations registered in the name of the Fund and held by the Fund's investment agent. The money market accounts are collateralized by obligations of the U.S. Government registered in the name of and held by the Fund's agent.

The fair value for investments by type on December 31, 1997 and 1998, are as follows:

	1997		1998	
	Fair Value	CATEGORY	Fair Value	CATEGORY
December 31, 1997:				
Certificates of Deposit	\$ -	-	\$ 388,880	-
Money market accounts	2,482,798	-	2,592,890	-
U.S. Government Agency Obligations	18,388,850	1	18,889,820	1
U.S. Treasury obligations	2,870,812	2	4,588,887	2
	\$ 23,832,854		\$ 24,759,790	

The scheduled maturities of securities held were as follows on December 31:

	1997	1998
Due in one year	\$ 4,349,790	4,751,381
Due after one year through five years	8,881,380	7,488,380
Due after five years through ten years	7,000,820	7,447,564
Due after ten years	2,582,824	2,078,300
	\$ 22,814,814	24,765,625

(Continued)

LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

Notes to Financial Statements

Included in investment balances as of December 31, 1997 and 1998 are derivative investments. These investments included U.S. Treasury strips, collateralized mortgage obligations, and floating rate securities with a market value of \$7,521,634 and \$4,848,281 as of December 31, 1997 and 1998, respectively. These derivative investments are interest rate sensitive and, as a result, could experience future market value fluctuations.

Effective January 1, 1998, Louisiana Municipal Reserve Fund Agency adopted the provisions of the Governmental Accounting Standards Board's statement No. 34, Accounting for Financial Reporting for Certain Investments and for External Investment Pools. This Statement establishes fair value standards for investments in debt securities. Fair value is the amount in which a financial instrument could be exchanged in a current transaction between willing parties, where there is a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. The LMRFA has restated its retained earnings balance as of January 1, 1998 to conform to the policies and presentation requirements of GASB No. 34.

The retrospective application of the change in accounting policy for investments resulted in a decrease in the amounts reported on investments and retained earnings as previously reported as follows:

Retained earnings, January 1, 1998, as previously reported	\$ 8,689,641
Adjustment for unrealized market loss on investments	<u>(288,358)</u>
Retained earnings, January 1, 1998, as restated	7,781,283
Net income as previously reported for the year ended December 31, 1998	\$ 2,781,833
Adjustment for unrealized market loss on investments	<u>(188,338)</u>
Net income for the year ended December 31, 1998, as restated	2,375,298
Retained earnings, December 31, 1998, as restated	\$ 28,951,201

(4) Business Policy Coverage

Prior to and during the year ended December 31, 1994, LMRFA provided reinsurance to LMRFA Accident and Health, Public Liability and Workers' Compensation funds with the following aggregate:

Continued



LOUISIANA MUNICIPAL  
SERVICES FUND AGENT

Notes to Financial Statements

Workers' Compensation Fund

- Item I: \$2,400,000 annual aggregate in excess of 80% of earned normal premium
- Item II: \$2,500,000 each and every loss in excess of \$25,000 each and every loss

Public Liability Fund

- Item I: \$5,000,000 annual aggregate in excess of 45% of carried normal premium
- Item II: \$500,000 each and every loss in excess of \$100,000 each and every loss

Accident and Health Fund

- Item I: Annual aggregate in excess of 100% of annual aggregate reduction 60% of Earned Normal Premium, limited at a minimum of annual normal premium
- Item II: \$500,000 each and every loss in excess of \$50,000 each and every loss

Effective January 1, 1990, LMRSA obtained commercial reinsurance for claims as follows:

Workers' Compensation Fund

- Item I: \$1,000,000 annual aggregate
- Item II: \$1,000,000 each and every loss in excess of \$50,000 each and every loss up to \$250,000

No changes were made in the Public Liability Fund coverage.

The LMRSA Accident and Health Fund obtained commercial reinsurance effective January 1, 1990 and is not covered by LMRSA.

LMRSA and LMRSA represent a cooperative program for group funding and risk management of public liability claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants.

As of December 31, 1997, LMRSA also provides reimbursements for 3 municipalities for workers' compensation claims up to an annual aggregate amount ranging from 80% to 85% of their standard premium.

LOUISIANA MUNICIPAL  
REPAIR FUND AGENCY

September

December 31, 1997

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and claims expense incurred by the Fund as of the end of 1997 and as of the end of each of the last nine years.

	1997	1996	1995	1994	Fiscal Year Ended					1993	1992	1991
	(in thousands)											
Net and Investment Income	\$ 1,898	1,342	1,120	1,481	1,823	1,029	1,332	1,081	1,494	1,731		
Operating costs, unallocated	1,682	1,111	1,127	1,201	1,121	1,002	1,002	1,002	1,002	1,002		
Estimated incurred claims and expense, end of policy year	\$ 1,202	1,002	1,100	1,185	1,120	1,120	1,120	1,100	1,100	1,100		
Fund Creditable as of:												
End of policy year	1,948	-	-	185	427	187	82	202	-	24		
One year later	-	-	-	487	427	488	188	178	-	25		
Two years later	-	-	283	488	1,175	1,118	1,240	278	-	27		
Three years later	-	-	-	582	1,865	1,975	1,742	161	144	22		
Four years later	-	-	-	-	1,448	1,799	1,752	1,088	580	23		
Five years later	-	-	-	-	-	1,790	1,884	1,197	1,102	123		
Six years later	-	-	-	-	-	-	1,474	1,422	1,287	158		
Seven years later	-	-	-	-	-	-	-	1,721	1,788	158		
Eight years later	-	-	-	-	-	-	-	-	1,874	186		
Nine years later	-	-	-	-	-	-	-	-	-	186		
Incurred (over) or claims and claims expense:												
End of policy year	\$ 1,804	1,862	1,703	1,188	1,108	1,154	1,730	1,703	1,123	1,427		
One year later	-	1,865	1,293	1,038	1,792	1,378	1,842	1,488	1,888	1,818		
Two years later	-	-	1,818	1,398	1,188	1,593	1,508	1,197	1,184	1,108		
Three years later	-	-	-	1,818	1,872	1,182	1,828	1,488	1,187	1,103		
Four years later	-	-	-	-	1,378	1,352	1,581	1,123	1,762	1,088		
Five years later	-	-	-	-	-	1,258	1,448	1,188	1,182	1,188		
Six years later	-	-	-	-	-	-	1,438	1,581	1,175	988		
Seven years later	-	-	-	-	-	-	-	1,418	1,588	828		
Eight years later	-	-	-	-	-	-	-	-	1,585	823		
Nine years later	-	-	-	-	-	-	-	-	-	823		
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ -	1,084	1,27	1,120	1,48	1,970	1,018	1,294	1,418	1,627		

(1) effective January 1, 1998. The Fund accounted for investments on a fair value basis.

See accompanying independent auditors' report.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees  
Louisiana Municipal Reserve Fund Agency

We have audited the financial statements of Louisiana Municipal Reserve Fund Agency (the Fund) as of and for the year ended December 31, 1997, and have issued our report thereon dated May 18, 1998, which included an explanatory paragraph concerning the adoption of Governmental Accounting Standards Board's Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that management's assertions are wrong that would be material in relation to the financial statements being audited and may be detected within a timely period by employees in the normal course of performing their assigned functions. We did not discover matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Louisiana Municipal Revenue Fund Agency, the Louisiana Legislative Auditor's Office and the Commissioners of Insurance, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*KPMG Post Mammoth, LP*

May 28, 1988

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LOUISIANA MUNICIPAL FIRE MARSHALERS' ASSOCIATION  
MEMBERS' CONTRIBUTION FUND

Financial Statements and Schedule

December 31, 1977 and 1976

With Independent Auditors' Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity 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.

Release Date: \_\_\_\_\_

# KPMG Peat Marwick LLP

Two 2800 One Shell Square  
New Orleans, LA 70112-2800

## Independent Auditors' Report

Officers and Trustees  
Louisiana Municipal Risk Management Agency  
Workers' Compensation Fund

We have audited the accompanying balance sheets of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund (a quasi-public organization) (the Fund) as of December 31, 1997 and 1996, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 4 to the financial statements, effective January 1, 1996, Louisiana Municipal Risk Management Agency - Workers' Compensation Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 21, Accounting and Financial Reporting for Certain Investments and for External Investments Pools.

In accordance with Government Auditing Standards, we have also issued a report, dated May 18, 1998, on our consideration of the fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were made for the purpose of forming an opinion on the basic 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*KPMG Peat Marwick LLP*

May 18, 1998

LOUISIANA MUNICIPAL FIRE MANAGEMENT SOCIETY  
MEMBERS' COMPENSATION FUND

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LOUISIANA NATIONAL RISK MANAGEMENT AGENCY  
 WORKERS' COMPENSATION FUND

Balance Sheets

December 31, 1997 and 1996

Assets	1997	1996
Investments (note 2)	\$ 22,451,952	20,706,761
Receivables	1,163,221	2,203,384
Reinsurance receivable (note 3)	488,151	389,684
Accrued interest receivable	<u>220,782</u>	<u>284,871</u>
	\$ 24,324,106	23,584,700
<u>Liabilities and Retained Earnings</u>		
Liabilities:		
Unpaid claims liability (note 2)	5,180,000	7,316,000
Due to affiliates (note 2)	1,758,968	1,357,898
Unearned premium (note 3)	1,166,217	1,251,745
Accrued expenses	<u>205,845</u>	<u>381,874</u>
	8,211,030	10,307,517
Retained earnings	<u>16,113,076</u>	<u>13,277,183</u>
	\$ 24,324,106	23,584,700

See accompanying notes to financial statements.



LOUISIANA MUNICIPAL FIRE RISK MANAGEMENT AGENCY  
 WORKERS' COMPENSATION FUND

Statement of Revenue, Expenses and Changes in Retained Earnings

Years ended December 31, 2007 and 2008

	2007	2008
<b>Revenues:</b>		
Premium income	\$ 7,157,818	7,438,789
Investment income (note 2)	<u>3,648,210</u>	<u>642,285</u>
Total revenue	<u>\$ 10,806,028</u>	<u>\$ 8,081,074</u>
<b>Expenses:</b>		
Claims expense (note 3)	1,828,868	1,782,544
Administrative fees (note 2)	1,793,148	1,286,218
Reinsurance premiums (note 3)	715,732	763,874
Service agent fees (note 2)	812,842	863,022
Personal injury fund assessment	78,076	217,078
Louisiana workers' compensation assessment	17,348	50,868
Miscellaneous	<u>48,758</u>	<u>29,858</u>
Total expenses	<u>\$ 5,294,732</u>	<u>\$ 4,893,264</u>
Net income	4,441,245	3,187,810
Retained earnings, as reported, beginning of year (note 4)	<u>18,448,881</u>	<u>7,008,881</u>
Retained earnings, as revised, end of year (note 4)	\$ 16,892,184	18,448,881

See accompanying notes to financial statements.

LOUISIANA REINSURANCE RISK MANAGEMENT AGENCY  
 Mutual Corporation Fund

Statement of Cash Flow

Years ended December 31, 1997 and 1998

	<u>1997</u>	<u>1998</u>
Cash flows from operating activities:		
Net income	\$ 8,481,282	3,412,408
Less adjustments for investment income	(1,888,214)	(183,353)
	<u>6,593,068</u>	<u>3,229,055</u>
Adjustments to reconcile net income to net cash provided by operations:		
Increase/decrease in receivables	(127,844)	377,778
Decrease in prepaid claims liability		
Net of reinsurance recoverable	(1,770,808)	(1,889,808)
Increase/Decrease in accounts payable, accrued expenses, unearned premiums and due to affiliates	(407,807)	(218,773)
Total adjustments	<u>(2,306,459)</u>	<u>(1,330,803)</u>
Net cash provided by operating activities	<u>4,286,609</u>	<u>1,898,252</u>
Cash flows from investing activities:		
Investment interest received	3,048,755	3,048,888
Purchase of investments	(8,287,801)	(2,577,808)
Sale of investments	2,389,788	1,880,872
Net cash used in investing activities	<u>(2,849,258)</u>	<u>(1,648,048)</u>
Net change in cash	-	-
Cash beginning of year	-	-
Cash end of year	\$ -	-

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
MEMBERS' COMPENSATION FUND

Notes to Financial Statements

December 31, 1997 and 1996

121 Significant Accounting Policies

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 482 of 1977 to provide a program of worker's compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statute 33:1341-1976, all local government subdivisions in the State of Louisiana are eligible to participate. The LMRMA Workers' Compensation Fund (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund, after consultation with the actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for LMRMA.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA member funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statute 33:1491(1). LMRFA consists of interlocal risk management agencies pooling reserve funds to provide reinsurance. Administration of the Agency is vested in the Executive Board of LMA. LMRFA assumes the LMRMA Workers' Compensation Fund. As of both December 31, 1997 and 1996, there were 188 and 213 participating municipalities, respectively.

The various LMRMA Funds, LMA and LMRFA are all affiliated through common membership and management control. Although all of these entities are related parties, their various fund balances 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 GAAP 22 and 14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement basis. The Fund applies all applicable GASB

Continued

LOUISIANA MEDICAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Notes to Financial Statements

provisions issued on or before December 31, 1999 in accounting for its operations unless those provisions conflict with or contradict GASB provisions.

(c) Investments

Investments are reported at fair value except for short-term and money market investments, consisting primarily of U.S. treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses on investments recorded at fair value are included in investment income. Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government Agency and Treasury obligations.

(d) Premium Income and Amounts Receivable

Premiums are recognized as income over the life of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known.

(e) Unpaid Claims Liability

The Fund established claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs may be estimated varies depending on the coverage involved. Estimated amounts of reimbursements receivable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in definitions of legal liability, and damage trends, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are computed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent experience, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements. The costs associated with new and renewed contracts and acquisition costs are immaterial to the financial statements and are expensed when incurred. Such expenses have been discounted at 4.0% and 5.0% at December 31, 1999 and 1998, respectively.

(f) Statement of Cash Flows

For the purposes of the statements of cash flow, cash includes cash in demand deposit accounts with banks. Insurance certificates of

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
MUNICIPAL CORPORATION FUND

Notes to Financial Statements

Deposits, money markets and repurchase agreements are usually purchased with maturities of 90 days or more; they are classified as investments.

(8) 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 discharge the primary liability of the Fund as the direct insurer of the risks insured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. As of May 3, 1994, LMRPA became the reinsurer for the Fund.

(9) Income Taxes

The Agency is exempt from Federal income taxes under Sections 7181 and 1151c1 of the Internal Revenue Code.

(10) Use of Estimates

Management of the Funds has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

(11) Related Party Transactions

(a) Fees and Services

LSA, ERI and LMRPA provides services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the respective shared total premium (STP) as follows:

	1997	1996
Expenses:		
Administrative fee - LSA (2.4% of STP plus interest earned)	\$ 2,370,249	2,394,819
Service Agent - ERI (0.5% of STP)	\$ 521,843	561,821
Reinsurance - LMRPA (1% of STP)	\$ 113,702	120,874
Due to affiliates:		
LSA	1,090,747	1,003,614
ERI	76,848	87,823
LMRPA	32,655	35,253
	\$ 1,200,250	1,126,690
LMRPA reinsurance recoveries	\$ 488,133	389,444

(Continued)

LOWLANDS MUNICIPAL RISK MANAGEMENT AGENCY  
 BONDING CORPORATION FUND

Notes to Financial Statements

LMA also receives all interest earnings of LOMA as part of this administrative fee. Amounts have been returned by LMA to the Fund based on the Board's discretion.

184 Premium Refunds

During 1995, LMA's Board resolved to rebate \$630,110 of the 1994 earned administrative fees back to the Fund; of the total amount, \$215,000 is available to the Municipalities in the form of credits toward their 1994 earned normal premium payments and is included in unearned premiums as of December 31, 1995. The remaining \$415,110 was used by the Fund in 1995.

During 1996, LMA's Board resolved to rebate \$344,479 of the 1995 earned administrative fees back to the Fund; of the cumulative unearned premium amount, \$210,070 was used by municipalities in the form of credits toward their 1996 earned normal premium payments; outstanding credits of \$134,409 are available to municipalities for their 1997 premium payments and are included in unearned premiums as of December 31, 1996.

During 1997, LMA's Board resolved to rebate \$738,068 of the 1996 earned administrative fees back to the Fund; of the cumulative unearned premium amount, \$214,912 was used by municipalities in the form of credits toward their 1997 earned normal premium payments; outstanding credits of \$513,156 are available to municipalities for their 1998 premium payments and are included in unearned premiums as of December 31, 1997. Also included in unearned premiums is \$738,068 which the Fund will use in the form of a premium reduction to municipalities in 1998.

191 Claims Expenses and Rapid Claim Payment

The following represents changes in the aggregate liabilities for the Fund for the years ended December 31, 1997 and 1996:

	1997	1996
	(Amounts in thousands)	
Rapid claim and claim adjustment expenses at beginning of year - gross	\$ 28,818	21,848
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,489	1,160
Increase in provisions for insured events of prior years	1,817	12,180
Total incurred claims and claim adjustment expense	3,306	13,340

Continued

LOUISIANA MUNICIPAL BOND MANAGEMENT AGENCY  
 BONDERS' COMPENSATION FUND

Notes to Financial Statements

	<u>1997</u>	<u>1996</u>
	(Amounts in thousands)	
<b>Payments:</b>		
Claims and claim adjustment expenses attributable to insured events of current year	2 (1,762)	1743
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(3,478)</u>	<u>(3,231)</u>
Total payments	<u>(3,738)</u>	<u>(3,873)</u>
Total unpaid claims and claim adjustment expenses at end of year	15,572	16,818
Less discounting at 5.25 and 5.25 for 1997 and 1996	15,432	16,893
Less claims covered by reinsurer (net of discounts)	<u>(4,158)</u>	<u>(6,789)</u>
Unpaid claims reserve	4 <u>3,788</u>	<u>7,396</u>

In addition to the unpaid claims covered by the reinsurer, there are \$48,115 and \$88,444 (of which \$78,588 is due from MBFA) of paid claims which are recoverable from the reinsurer at December 31, 1997 and 1996, respectively. Settled claims have not exceeded insurance coverage.

18) Deposits and Investments

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these Funds shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$25,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Agency is in compliance with these revised provisions during the period ended December 31, 1997 and 1996.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. government and its agencies, as well as financial institutions. Included in investments are certificates of deposit, money market accounts and repurchase agreements. During 1997, the Fund changed its policy of maintaining a cash account (now wire-transferring cash as needed from investments to support disbursements. Consequently, a zero cash balance is now maintained.

The Fund's investments are categorized below to give an indication of the level of risk assumed by the Fund at year-end. Category 1 securities are held by the Fund or its agent in the Fund's name. Category 2 securities are insured and unregistered investments for which the

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Notes to Financial Statements

securities are held by the broker's or dealer's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, as by its trust department or agent, but not in the Fund's name. The fair value for investments by security type as of December 31, 1997 and 1998 are as follows:

	1997		1998	
	Fair Value	Category	Fair Value	Category
Certificates of deposit	\$ 108,000	-	\$ 200,000	-
Money market accounts	3,948,857	-	2,890,855	-
U.S. Government Agency obligations	11,828,088	1	9,321,818	1
U.S. Treasury securities	<u>8,561,018</u>	2	<u>8,582,278</u>	2
	<u>\$ 20,445,963</u>		<u>\$ 20,875,951</u>	

Included in investment balances as of December 31, 1997 and 1998 are derivative investments. As of December 31, 1998, these investments included U.S. Treasury strike, collateralized mortgage obligations, and financing rate securities with a market value of \$8,281,008 and \$4,378,328 as of December 31, 1997 and 1998, respectively. These derivative investments are interest rate sensitive and, as a result, could experience future market value fluctuations. Certificates of deposit and money market accounts are collateralized by pledged securities of the Fund's trustee.

The scheduled maturities of investments held were as follows at December 31:

	1997	1998
Due in one year	\$ 8,879,978	5,514,515
Due after one year through five years	7,283,820	8,321,818
Due after five years through ten years	3,568,137	2,879,245
Due after ten years	<u>3,838,348</u>	<u>4,880,783</u>
	<u>\$ 23,570,283</u>	<u>21,606,361</u>

Effective January 1, 1998, Louisiana Municipal Risk Management Agency - Workers' Compensation Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting for Financial Reporting for Certain Investments and for External Investment Pools. This Statement establishes fair value standards for investments in debt securities. Fair value is the amount in which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. The Louisiana Municipal Risk Management Agency - Workers' Compensation Fund has reported its retained earnings balances as of January 1, 1998 to conform to the policies and presentation requirements of GASB No. 31.

(Continued)



LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Notes to Financial Statements

The retroactive application of the change in accounting policy for investments resulted in a change in the amounts reported as investments and retained earnings as previously reported as follows:

Retained earnings, January 1, 1996, as previously reported	\$ 7,518,024
Adjustment for unrealized market loss on investments	2,373
Retained earnings, January 1, 1996, as restated	7,520,397
Net income as previously reported for the year ended December 31, 1994	\$ 2,878,170
Adjustment for unrealized market loss on investments	(453,150)
Net income for the year ended December 31, 1994, as restated	2,425,020
Retained earnings, December 31, 1994, as restated	\$ 24,522,833

(4) Employees Injury Coverage

During the periods ended December 31, 1997 and 1996, LMFPA provided reimburse to the Fund with the following aggregate coverage:

Plan 1:	\$3,000,000 annual aggregate
Plan 2:	\$3,000,000 each and every loss in excess of \$50,000 each and every loss up to \$450,000

The Fund and LMFPA represent a cooperative program for group funding and risk management of public liability, workers' compensation and accident and health claims of participating Louisiana municipalities. At December 31, 1997 and 1996, there were 212 and 207 participating municipalities, respectively. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remain with the participants.

The following are balance sheets for LMFPA for the years ended December 31, 1997 and 1996.

ASSETS

	1997	1996
Cash	\$ 140,344	87,000
Accounts receivable	343,800	328,744
Due from affiliates	849,715	442,467
Investments	27,882,844	24,728,928
Preinsurance receivable	128,820	-
	\$ 29,345,523	26,387,139

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT BOARD  
 WORKERS' COMPENSATION FUND

Notes to Financial Statements

Liabilities and Received Earnings

	<u>1997</u>	<u>1996</u>
Liabilities:		
Unpaid claim reserves	\$ 14,882,000	11,870,000
Reinsurance payable	268,885	529,528
Unearned premium	108,484	43,971
Receivable cession	<u>8,325</u>	<u>4,382</u>
	16,368,694	13,447,881
Received earnings	<u>12,641,388</u>	<u>10,832,261</u>
	\$ 29,010,082	24,280,142

Effective January 1, 1995, LMRFA purchased reinsurance for workers' compensation claims from a third party reinsurer. The third party provided reinsurance to LMRFA with the following aggregate coverage:

- Line 1: \$1,000,000 annual aggregate
- Line 2: \$1,000,000 each and every loss in excess of \$50,000 each and every loss up to \$450,000

The third party reinsurer is only responsible for those claims incurred subsequent to January 1, 1995. LMRFA is the reinsurer for the claims incurred during the years prior to January 1, 1995.

LONGISLAND MUNICIPAL RISK MANAGEMENT AGENCY  
 MEMBERS - CORPORATION FORM

Schedule

December 31, 1997

The table below illustrates the Fund's current normal premium and investment income compared to released claims and claims expense (net of loss assumed by reinsurers) incurred by the Fund as of the end of 1997 and as of the end of each of the last nine years.

	Fund Year ended									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
NET and investment income	\$ 8,852	8,838	2,506	2,510	2,828	2,822	2,828	2,818	2,788	2,788
Spreading costs, unallocated	\$ 4,282	2,828	1,128	1,282	1,128	1,222	1,228	1,182	1,228	1,282
Estimated incurred claims and expenses, end of policy year	\$ 4,218	1,812	8,212	8,122	1,082	1,222	2,828	2,828	2,828	2,222
with transfer- ring as of:										
END OF										
policy year	\$ 812	778	1,882	808	1,822	1,282	2,222	2,278	2,228	722
One year later	-	1,118	1,998	1,728	2,182	2,228	2,222	2,282	2,278	2,222
Two years later	-	-	2,278	2,122	2,822	2,228	2,222	2,228	2,278	2,228
Three years later	-	-	-	2,228	2,228	2,278	2,278	2,228	2,228	2,228
Four years later	-	-	-	-	2,128	2,228	2,228	2,128	2,222	2,128
Five years later	-	-	-	-	-	2,228	2,228	2,228	2,228	2,228
Six years later	-	-	-	-	-	-	2,228	2,228	2,228	2,228
Seven years later	-	-	-	-	-	-	-	2,228	2,228	2,228
Eight years later	-	-	-	-	-	-	-	-	2,228	2,228
Nine years later	-	-	-	-	-	-	-	-	-	2,228
Net estimated incurred claims and claims expenses, end of										
policy year	\$ 2,782	2,822	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222
One year later	-	2,822	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222
Two years later	-	-	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222
Three years later	-	-	-	2,222	2,222	2,222	2,222	2,222	2,222	2,222

FOOTNOTES

LOUISIANA REGIONAL WILD MANAGEMENT AGENCY  
MORRIS' COMPENSATION FUND

	FUND YEAR ENDED											
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
	(in thousands)											
Four years later	-	-	-	-	7,345	8,828	9,378	4,744	3,988	3,817		
Five years later	-	-	-	-	-	4,628	5,378	4,744	3,988	3,450		
Six years later	-	-	-	-	-	-	5,378	4,744	3,988	3,450		
Seven years later	-	-	-	-	-	-	-	4,744	3,988	3,450		
Eight years later	-	-	-	-	-	-	-	-	3,988	3,450		
Nine years later	-	-	-	-	-	-	-	-	-	3,450		
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0	218	212	202	218	218	42	42	

(1) Effective January 1, 1991, the Fund accounted for investments on a fair value basis.

See accompanying independent auditors' report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Officers and Trustees  
Louisiana Municipal Risk Management Agency  
Workers' Compensation Fund.

We have audited the financial statements of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund as of and for the year ended December 31, 1991, and have issued our report thereon dated May 18, 1994, which included an explanatory paragraph concerning the adoption of Governmental Accounting Standards Board's Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Louisiana Municipal Risk Management Agency, Workers' Compensation Fund, the Louisiana Legislative Auditor's Office and the Commission of Insurance, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*KPMG Peat Marwick LLP*

May 18, 1999

KPMG

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LOUISIANA HOUSING VICE BARRONKAM AGENCY  
PUBLIC LIABILITY FUND  
Financial Statements and Schedule  
December 31, 1987 and 1986  
With Independent Auditor's Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity 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.

Release Date \_\_\_\_\_

LOUISIANA MUNICIPAL FISCAL MANAGEMENT BOARD  
PUBLIC LIABILITY FUND

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# **KPMG** Peat Marwick LLP

Suite 1900 One Shell Square  
New Orleans, LA 70112-1900

## Independent Auditors' Report

Officers and Trustees  
Louisiana Municipal Risk Management Agency  
Public Liability Fund

We have audited the accompanying balance sheets of Louisiana Municipal Risk Management Agency - Public Liability Fund (a quasi-public organization) (the Fund) as of December 31, 1997 and 1998, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. A 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Risk Management Agency - Public Liability Fund as of December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 4 to the financial statements, effective January 1, 1998, Louisiana Municipal Risk Management Agency - Public Liability Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Government Pools.

In accordance with Government Auditing Standards, we have also issued a report, dated May 28, 1998, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were made for the purpose of forming an opinion on the basic 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 audit of the financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

*KPMG Grant Marchant LLP*

May 18, 2008

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Balance Sheet

December 31, 1997 and 1996

Asset	1997	1996
Cash (note 4)	\$ 599,545	496,719
Investments (note 4)	16,853,584	14,589,462
Receivables receivable	79,479	83,518
Accounts receivable	77,545	122,499
Accrued interest receivable	118,287	146,939
Note receivable (note 2)	<u>1,812,731</u>	<u>2,542,414</u>
	\$ <u>17,856,381</u>	<u>17,891,532</u>
<b>Liabilities and Retained Earnings</b>		
<b>Liabilities:</b>		
Unpaid claims liability (note 2)	9,123,868	9,413,767
Unearned premium (note 2)	2,146,489	1,902,099
Due to affiliates (note 2)	1,493,045	1,547,516
accrued expenses	<u>4,972</u>	<u>3,487</u>
	13,759,482	13,666,869
Retained earnings	<u>4,096,899</u>	<u>4,224,732</u>
	\$ <u>17,856,381</u>	<u>17,891,602</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Years ended December 31, 1997 and 1996

	1997	1996
<b>Revenues:</b>		
Premium Income	\$ 4,946,391	4,056,189
Investment Income (note 3)	2,252,389	678,668
<b>Total revenues</b>	<b>7,198,780</b>	<b>4,734,857</b>
<b>Expenses:</b>		
Administration Fees (note 3)	1,100,886	1,144,681
Claim defense Costs 3)	4,419,107	4,028,459
Reinsurance premiums (note 2)	1,704,969	1,737,941
Service fees (note 2)	402,187	598,351
Miscellaneous	28,888	33,475
<b>Total expenses</b>	<b>7,915,937</b>	<b>7,543,407</b>
<b>Net income</b>	<b>(717,157)</b>	<b>(808,550)</b>
Retained earnings, as restated, beginning of year (note 4)	4,628,718	4,628,718
Retained earnings, as restated, end of year (note 4)	\$ 3,911,561	4,628,718

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

STATEMENT OF CASH FLOW

YEARS ended December 31, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net income	\$ 363,114	308,794
Loss adjustment for investment income	(1,273,343)	(1078,028)
	<u>(910,229)</u>	<u>(769,234)</u>
Adjustments to reconcile net income to net cash used in operations:		
Increase in receivables	57,234	148,488
Increase (decrease) in unpaid claims liability	(298,823)	(48,343)
Increase in accrued expenses, unearned premiums and due to affiliates	383,725	89,548
Total adjustments	<u>142,136</u>	<u>189,693</u>
Net cash used in operating activities	<u>(768,093)</u>	<u>(579,541)</u>
Cash flows from investing activities:		
Purchase of investments	(5,117,474)	(4,108,487)
Sales/maturity of investments	4,278,421	948,823
Investment interest received	1,307,348	893,444
Principal payments from rate receivables	<u>895,762</u>	<u>54,812</u>
Net cash provided by (used in) investing activities	<u>(1,836,043)</u>	<u>(2,811,418)</u>
Net increase (decrease) in cash	193,988	(3,124,888)
Cash, beginning of year	<u>408,728</u>	<u>2,542,627</u>
Cash, end of year	\$ <u>602,716</u>	<u>917,739</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

December 31, 1997 and 1996

41) Significant Accounting Policies

(a) Background and Financial Statement Extractions

Louisiana Municipal Risk Management Agency (LRMA) was formed under Louisiana Act No. 402 of 1978 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes R.S.243-1250, all local government subdivisions in the state of Louisiana are eligible to participate. The Public Liability Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of municipal risk management, to obtain lower rates for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the fund must be members of the Louisiana Municipal Association. A member may withdraw from the fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund after consultation with the association. If the assets of the fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third party service agent primarily for LRMA insurance funds. RMI, a Louisiana corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LRMFA) is formed under Louisiana Revised Statutes 13:1137A1. LRMFA consists of municipal risk management agencies pooling excess funds to provide reinsurance. Administration of LRMFA is vested in the Executive Board of LMA. LRMFA reinsures the LRMA Public Liability Fund. As of both December 31, 1997 and 1996, there were 198 and 202 participating municipalities, respectively.

The various LRMA Funds, LMA and RMI are all affiliated through common ownership and management control. Although all of these entities are related parties, their respective equity accounts 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 GASB 10 and GASB 14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. The Fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

(Continued)

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

1-1 Investments

Investments are reported at fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses on investments recorded at fair value are included in investment income. Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government agency obligations and are held for long-term investment purposes.

1-2 Premium Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known.

Accounts receivable are current and considered to be fully collectible by management. Therefore, no reserve for bad debts has been established.

1-3 Unpaid Claims Liability

The fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustments expected) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate indicators of past experience. Adjustments to claim liability are charged or credited to expense in the periods in which they are made. The costs associated with new and renewal contracts as acquisition costs are imputed to the financial statements and are expensed when incurred. The carrying amount of liabilities for claim losses and claim expenses are presented at present value in the financial statements. Such reserves have been discounted at 8.0% and 8.25 at December 31, 1997 and 1998, respectively.

1-4 Disclosure of Cash Flows

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of

(cont. next)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

NOTES to Financial Statements

deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more, they are classified as investments under Note #1.

9) Reinsurance

The Fund uses reinsurance agreements to reduce its exposure to large losses or insured amounts. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not 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 risks will not be covered by reinsurers. As of May 1, 1986, LMRPA became the reinsurer for the Fund.

10) Income Taxes

The Agency is exempt from Federal income taxes under sections 1701 and 115(c) of the Internal Revenue Code.

11) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

12) Related Party Transactions

1a) Fees and Services

LMA, RMO and LMRPA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the respective current annual premiums (CAP) as follows:

	1987	1986
<b>Expenses:</b>		
Administrative fee - LMA (3% of CAP (Own interest retained))	\$ 1,122,820	1,144,833
Service agent - RMO (3.5% of CAP)	\$ 1,281,321	1,598,343
Reinsurance - LMRPA (24.5% of CAP)	\$ 2,788,840	2,757,841
Reinsurance recoveries - LMRPA	\$ 1,452,351	1,384,530
<b>Due to affiliates:</b>		
LMA	892,108	894,323
RMO	145,457	97,863
LMRPA	473,836	387,814
	\$ 2,482,845	2,341,910

(Continued)



LOUISIANA MUNICIPAL FIRE INSURANCE FUND  
PUBLIC LIABILITY FUND

Notes to Financial Statements

LMA also receives all interest earnings of the Fund as part of this administrative fee. Amounts have been returned by LMA to the Fund based on the board's discretion.

(b) Note Receivable

LMA has a variable rate note agreement with the Fund. The note bears an interest rate equal to the average investment return yielded the Fund on its other investments (6.33% and 6.28% at December 31, 1997 and 1998, respectively). LMA is currently making monthly payments of \$20,420 due the first day of each month based on a 360 month amortization. Collateral for this note is a building owned by LMA. The Fund earned interest of \$384,127 and \$185,436 in respect to the note for the years ended December 31, 1997 and 1998, respectively.

The payments on principal balance due at December 31, 1997 are calculated as follows:

1998	\$ 128,760
1999	128,000
2000	143,888
2001	150,180
2002	143,180
2003 and after	1,218,880
	\$ 2,022,768

(c) Premium Reserve

During 1995, LMA's Board resolved to rebate \$400,000 of the 1994 earned administrative fees to be used as follows:

\$150,000 to be used by municipalities in the form of credits toward their 1994 earned normal premium payments; this amount is included in unearned premiums at December 31, 1994.

\$150,000 to be accumulated and retained by the Fund for payment in future years; this amount is included in refund of administrative fees.

During 1994, the Fund's participants used \$482,854 of cumulative unearned credits. In addition, the Fund received a rebate of \$283,208 from LMA's board related to 1993 earned administrative fees which will be available to participants for 1997 premium payments.

During 1997, the Fund's participants used \$286,790 unearned credits. In addition, the Fund received a rebate of \$798,133 from LMA's board related to 1996 earned administrative fees which will be available to participants for 1998 premium payments. In addition, the Fund received \$518,748 as a reduction in the notes receivable from LMA as explained in note 3(b).

Continued

LOUISIANA MUNICIPAL FIRE MARSHAL'S AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

12) Claims Expenses and Unpaid Claims Reserve

The following summarizes changes in the aggregate liabilities for the Fund for the years ended December 31, 1997 and 1998:

	1997	1998
	(Amounts in thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 26,521	21,572
Incurrd claims and claim adjustment expenses; Provision for insured events of the current year	7,528	7,518
Increase in provision for insured events of prior years	(3,712)	(4,518)
Total incurred claims and claim adjustment expense	\$ 3,816	3,000
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	1851	1831
Claims and claim adjustment expenses attributable to insured events of prior years	(3,352)	(3,352)
Total Payments	\$ 4,803	5,183
Total unpaid claims and claim adjustment expenses at end of year	29,534	26,001
Less discounting at 4.75 and 5.25 for 1997 and 1998, respectively	(3,748)	(3,207)
Less claims covered by reinsurer (net of discount)	(3,453)	(3,453)
Unpaid claims reserve	\$ 22,333	\$ 19,341

13) Deposits and Investments

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these agencies shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of 10% of 1990, 1991 or 92 of the combination of surplus, undivided profits and reserves as currently reported by the financial institution in question. As regard to deposits and investments, the Agency is in compliance with these revised provisions during the years ended December 31, 1997 and 1998.

(Cont.)

LOUISIANA MUNICIPAL FIRE MANAGEMENT BOARD  
FUND'S LIABILITY FUND

Notes to Financial Statements

The demand deposits are categorized below to give an indication of the level of risk assumed at year end. "Insured" deposits are those balances protected by Federal depositary insurance or pledged collateral. "Uninsured" deposits are those balances in excess of Federal depositary insurance or pledged collateral.

	1997	1996
Insured	\$ 589,326	484,789
Uninsured	-	-
	<u>\$ 589,326</u>	<u>484,789</u>

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies as well as financial institutions. Included in investments are certificates of deposit, money market accounts and repurchase agreements.

The Fund's investments are categorized below to give an indication of the level of risk assumed by the Fund at year-end. Category 1 securities are held by the Fund or its agents in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Fund's name. The fair value for investments by security type are as follows:

	1997		1996	
	Fair value	Category	Fair value	Category
Certificates of deposit	\$ 380,800	-	\$ 380,800	-
Money market accounts	959,127	-	559,810	-
U.S. Government Agency obligations	31,890,883	1	8,528,811	1
U.S. Treasury securities	<u>2,881,758</u>	1	<u>2,882,831</u>	1
	<u>\$ 3,992,568</u>		<u>\$ 14,382,452</u>	

The scheduled maturities of investments were as follows at December 31:

	1997	1996
Due in one year	\$ 3,738,380	3,683,826
Due after one year through five years	4,528,399	4,375,519
Due after five years through ten years	2,086,488	3,875,883
Due after ten years	<u>4,885,827</u>	<u>4,232,818</u>
	<u>\$ 15,239,194</u>	<u>14,188,036</u>

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

The U.S. Government agency obligation investments are direct obligations registered in the name of the Fund and held by the Fund's investment agent. The purchase agreement, certificate of deposit, cash and money markets are collateralized by obligations of the U.S. Government registered in the name of and held by the Fund's agent. Included in investment balances as of December 31, 1997 and 1996 are derivative investments. These investments included U.S. Treasury bills, collateralized mortgage obligations, and floating rate securities with a market value of \$4,503,400 and \$4,422,775 as of December 31, 1997 and 1996, respectively. These derivative investments are interest rate sensitive and, as a result, could experience future market value fluctuations.

Effective January 1, 1996, Louisiana Municipal Risk Management Agency - Public Liability Fund adopted the provisions of the Governmental Accounting Standards Board's Statement No. 31, Accounting for Financial Reporting for Certain Investments and for Certain Investment Pools. This statement establishes fair value standards for investments in debt securities. Fair value is the amount in which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value as follows when: The Louisiana Municipal Risk Management Agency - Public Liability Fund has restated its retained earnings balance as of January 1, 1996 to conform to the policies and procedures requirements of GASB No. 31.

The retrospective application of the change in accounting policy for investments resulted in an increase in the amounts reported as investments and retained earnings as previously reported as follows:

Retained earnings, January 1, 1996, as previously reported	\$ 4,573,437
Adjustment for unrealized market gain on investments	____48,385
Retained earnings, January 1, 1996, as restated	\$ 4,621,822
Net income as previously reported for the year ended December 31, 1996	\$ 545,545
Adjustment for unrealized market loss on investments	158,728
Net income for the year ended December 31, 1996, as restated	____386,817
Retained earnings, December 31, 1996, as restated	\$ 4,824,738

(continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT BOARD  
PUBLIC LIABILITY FUND

Notes to Financial Statements

(iv) Reinsurance Policy Coverage

During the periods ended December 31, 1997 and 1998, LMRFB provided reinsurance to LMRFB Public Liability Fund with the following amounts:

Item I:	\$5,000,000 annual aggregate excess of 5% of earned normal premium
Item II:	\$100,000 each and every loss in excess of \$100,000 each and every loss

The Fund and LMRFB represent a cooperative program for group funding and risk management of public liability claims of participating Louisiana municipalities. As December 31, 1997 and 1998, there were 200 and 201 participating municipalities, respectively. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants.

Prior to 1993, Louisiana law limited the liability of the municipalities to \$500,000 per occurrence. During 1993, the Louisiana Supreme Court removed this limit. The above "specific reinsurance limits" for the Public Liability Fund cover claims up to \$100,000. As of December 31, 1998, the statutory liability increased to \$750,000 from \$500,000. The Fund's coverage remains unchanged.

The following are balance sheets for LMRFB for the years ended December 31, 1997 and 1998:

	<u>AMOUNT</u>	
	<u>1997</u>	<u>1998</u>
Cash and cash equivalents	\$ 100,344	87,879
Accrued interest receivable	343,908	358,713
Due from affiliated	568,715	483,807
Governments	27,882,054	24,729,536
Reinsurance receivable	<u>128,808</u>	<u>-</u>
	<b>\$ 28,823,819</b>	<b>26,671,185</b>
<u>Liabilities and Retained Earnings</u>		
Liabilities:		
Unpaid claims reserve	14,882,000	13,700,000
Reinsurance payable	580,803	638,589
Unearned premium	188,886	43,901
Accrued expenses	<u>7,330</u>	<u>4,582</u>
	<b>15,869,519</b>	<b>14,838,582</b>
Retained earnings	<u>12,442,284</u>	<u>10,832,281</u>
	<b>\$ 28,311,803</b>	<b>25,671,185</b>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

The table below illustrates the Fund's assumed normal premium and investment income compared to retained costs and claims expense (net of loss assumed by reinsurers) incurred by the Fund as of the end of 1997 and as of the end of each of the last nine years.

	Fund Year Ended										
	1987	1988 <sup>(1)</sup>	1989	1990	1991	1992	1993	1994	1995	1996	1997
	(\$ in thousands)										
Net and investment income	\$ 8,189	7,728	7,680	7,478	7,478	7,478	8,059	8,789	8,880	8,789	
Operating costs maintained	\$ 3,481	3,499	3,476	3,483	3,282	3,831	3,852	3,891	3,901	3,533	
Estimated incurred claims and expense, end of policy year	\$ 4,708	4,229	4,204	3,875	3,812	3,647	3,812	3,888	3,979	3,256	
Ratio (premium) of 61:											
End of policy year	\$ 450	520	461	526	599	577	625	679	641	604	
One year later	-	1,179	1,700	1,825	1,885	2,249	2,894	3,081	3,011	3,256	
Two years later	-	-	2,820	2,882	2,939	3,598	4,637	4,882	4,750	5,091	
Three years later	-	-	-	3,129	3,275	3,877	5,039	5,556	5,476	5,798	
Four years later	-	-	-	-	3,507	3,551	5,701	5,701	5,941	5,506	
Five years later	-	-	-	-	-	3,536	5,807	5,946	5,126	5,712	
Six years later	-	-	-	-	-	-	3,836	3,143	3,500	3,826	
Seven years later	-	-	-	-	-	-	-	3,586	3,500	3,712	
Eight years later	-	-	-	-	-	-	-	-	3,077	3,881	
Nine years later	-	-	-	-	-	-	-	-	-	3,885	
Re-estimated incurred claims and claims expense:											
End of policy year	\$ 4,141	4,141	4,241	3,976	3,930	4,083	3,843	3,834	3,789	3,383	
One year later	-	4,141	4,241	3,976	3,930	4,037	3,843	3,834	3,789	3,423	
Two years later	-	-	4,241	3,976	3,930	4,037	3,877	3,834	3,685	3,133	
Three years later	-	-	-	3,976	3,930	4,037	3,877	3,830	3,640	3,549	
Four years later	-	-	-	-	3,930	4,037	3,877	3,829	3,684	3,487	
Five years later	-	-	-	-	-	4,037	3,877	3,829	3,684	3,504	
Six years later	-	-	-	-	-	-	3,877	3,829	3,684	3,504	
Seven years later	-	-	-	-	-	-	-	3,829	3,684	3,504	
Eight years later	-	-	-	-	-	-	-	-	3,684	3,504	
Nine years later	-	-	-	-	-	-	-	-	-	3,504	
Increase in estimated incurred claims and expense from end of policy year	\$ 1,567	1,108	1,063	1,109	1,112	1,214	1,344	1,314	1,190	1,173	

<sup>(1)</sup> Effective January 1, 1988, the Fund assumed fair assignments on a fair value basis.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING MADE ON AN ASPECT OF FINANCIAL STATEMENTS PREPARED IN  
ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Officers and Trustees  
Louisiana Municipal Risk Management Agency  
Public Liability Fund.

We have audited the financial statements of Louisiana Municipal Risk Management Agency - Public Liability Fund as of and for the year ended December 31, 1991, and have issued our report thereon dated May 18, 1992, which included an explanatory paragraph concerning the adoption of Governmental Accounting Standards Board's Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements, and other documents which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to provide assistance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Louisiana Municipal Risk Management Agency - Public Liability Fund, the Louisiana Legislative Auditor's Office and the Commissioner of Insurance, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*KPMG Paul Moravick LLP*

May 18, 2000