

# KPMG Peat Marwick LLP

Partner Name  
Date 1987  
400 Fourth Street  
Baton Rouge, LA 70801-1500  
Independent Auditors' Report

Officers and Trustees  
Louisiana Municipal  
Reserve Fund Agency:

We have audited the accompanying balance sheets of Louisiana Municipal Reserve Fund Agency (a quasi-public organization) (the Fund) as of December 31, 1986 and 1985, and the related statements of revenues, expenses and changes in Fund balance, 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 Reserve Fund Agency as of December 31, 1986 and 1985, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 25, 1987 on our consideration of the Fund's internal control structure and a report dated April 25, 1987 on its compliance with laws and regulations.

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*

April 25, 1987

CONSOLIDATED FINANCIAL  
STATEMENTS FOR 1989

Notes to Financial Statements

	Amortized cost	Unrealized gain	Unrealized losses	Market value	Strategy
December 31, 1990:					
Collateral of deposits:	\$ 185,000	-	-	185,000	-
Money market accounts	505,000	-	-	505,000	-
Repurchase agreements	2,876,450	-	-	2,876,450	1
U.S. Government Agency					
Obligations	5,671,888	86,183	(452,711)	5,305,360	2
U.S. Treasury obligations	23,880,296	255,088	(218,693)	23,916,791	3
	\$ 29,992,434	341,271	(661,404)	29,672,301	

The U.S. Governmental Agency obligations investments are direct obligations registered in the name of the Fund and held by the Fund's investment agent. The repurchase agreements and money market are collateralized by obligations of the U.S. Government registered in the name of and held by the Fund's agent.

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

	1990		1991	
	Amortized cost	Market value	Amortized cost	Market value
Due in one year	\$ 4,712,488	4,711,391	4,194,659	4,193,385
Due after one year through five years	7,466,158	7,488,360	8,465,359	8,518,489
Due after five years through ten years	7,580,563	7,447,364	4,893,984	4,579,089
Due after ten years	2,871,608	2,871,385	2,343,489	2,396,588
	\$ 22,630,817	22,518,400	19,897,491	19,687,551

included in investment balances as of December 31, 1990 and 1991 are derivative investments. As of December 31, 1990, these investments included U.S. Treasury floating collateralized mortgage obligations, and floating rate securities with a cost of \$5,664,480 and a market value of \$4,893,989. These derivative investments are marked to market and, as a result, would experience future market value fluctuations.

(Continued)

LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

140 DEPOSITS AND INVESTMENTS

LMFA 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 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution in question. In regard to deposits and investments, the fund is in compliance with those revised provisions during the years ended December 31, 1984 and 1985.

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. "Uninsured" deposits are those balances in excess of federal depositary insurance.

	1984	1985
Insured	\$ 87,879	189,380
Uninsured	-	-
	\$ 87,879	189,380

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 amortized cost, unrealized gains, unrealized losses and market value for investments by type as December 31, 1984 and 1985, are as follows:

	Amortized Cost	Unrealized Gain	Unrealized Losses	Market Value	Category
December 31, 1984:					
Certificates of deposit	\$ 189,380	-	-	189,380	-
Money market accounts	2,000,000	-	-	2,000,000	-
U.S. Government Agency					
Certificates	39,878,120	28,203	(884,500)	39,821,823	1
U.S. Treasury Obligations	3,311,570	24,885	(255,191)	3,301,264	1
	\$ 41,379,070	53,088	(1,139,691)	\$ 40,292,467	

(Continued)

LOUISIANA MUNICIPAL  
REVENUE FUND REPORT

NOTES to Financial Statements

	1995	1994
Due from affiliates:		
LMSFA Public Liability	\$ 347,814	218,000
LMSFA Workers' Compensation	<u>25,502</u>	<u>18,167</u>
	\$ 373,316	236,167

(3) CLAIMS EXPENSE AND CLAIMS RESERVE

The following represents changes in the aggregate liabilities for the fund for the years ended December 31, 1995 and 1994:

	1995	1994
	(Amounts in thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 25,502	22,502
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	3,807	3,700
Increase (decrease) in provision for insured events of prior years	<u>(6,027)</u>	<u>1,300</u>
Total incurred claims and claim adjustment expenses	<u>23,587</u>	<u>5,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	<u>1,426</u>	<u>2,200</u>
Total payments	<u>1,426</u>	<u>2,200</u>
Total unpaid claims and claim adjustment expenses at end of year	19,663	22,502
Less discounting at 5% and 6.5% for 1995 and 1994	<u>18,800</u>	<u>18,287</u>
Unpaid claims reserve	\$ 18,800	18,287

Settled claims in 1995 have not exceeded insurance coverage.

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LOUISIANA MUNICIPAL  
SERVICES FUND AGENT

Notes to Financial Statements

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 charged or credited to expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expenses are presented at present value in the financial statements. The costs associated with new and renewed contracts, an acquisition costs, are immaterial to the financial statements and are expensed when incurred. Such reserves have been discounted at 5.0% and 6.0% at December 31, 1999 and 1998.

(7) STATEMENT OF CASH FLOWS

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

(8) INCOME TAXES

The Agency is exempt from federal income taxes under Sections 1700 and 11011) of the Internal Revenue Code.

(9) USE OF ESTIMATES

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

(10) RELATED PARTY TRANSACTIONS

LSM, MS and LBSM provide services related to the public-employee funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the respective annual normal premium as follows:

	Municipalities		
	1999	1998	1997
Municipalities Income:			
LSMMS:			
Public liability	\$4.58 MSP	\$ 1,167,543	1,504,371
Workers' compensation	18.0% MSP	—182,874	—227,228
		\$ 984,669	\$ 1,277,143

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LITCHFIELD MUNICIPAL  
GENERAL FUND ACCOUNT

Notes to Financial Statements

(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 GAAP provisions issued as or before November 30, 1989 in accounting for its operations unless those provisions conflict with or contradict 1989 provisions.

(C) Investments

Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government agency obligations and are held for long-term investment purposes. U.S. government agency obligations are stated at amortized cost unless there is a decline in value that is considered other than temporary, in which case the carrying amount is reduced to market value. Management has the intent and ability to hold investments, therefore, no realized losses are anticipated.

(D) Litchfield Income and Exp. from Activities

The pension income of LMPA collected in the current year is based on a percentage of earned normal pension of LMPA workers' compensation and public liability funds, and on a per covered participant basis for LMPA EQUIPMENT and Health Fund (see note E). For the years ended December 31, 1998 and 1997, LMPA provided reimbursements directly to municipalities for a total pension of \$194,578 and \$158,243, respectively.

(E) Unpaid Claims Liability

The Fund establishes claims 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 must 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 claims costs depend on such complex factors as inflation, changes in standards of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recognized 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 is the

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LOUISIANA MUNICIPAL  
RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 1988 and 1989

(b) Significant Accounting Policies

(a) Declaration and Financial Statement Presentation

Louisiana Municipal Reserve Fund Agency (LMRFA or the Fund) was formed under Louisiana Revised Statute 50:1309(A). LMRFA consists of several risk management agencies pooling various funds to provide protection. Administration of the Agency is vested in the Executive Board of LMR. LMRFA reinsures the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability, Workers' Compensation, and Accident and Health Funds. LMRFA also reinsures three municipalities.

LMRFA was formed under Louisiana Act No. 942 of 1978 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statute 50:1304-1306, 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 behavioral 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-making policies have been established by the Board of LMRMA after consultation with the subscribers. 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 LMRFA.

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

The various LMRFA Funds, both and 888 are all affiliated through common ownership and management control. Although all of these entities are distinct entities, their various fund balances are available only to the individual entity for its operations. No other assets such as equity is presented as a separate "stand alone" entity in accordance with GAAP 10 and GAAP 14.

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CORIOWAN MUNICIPAL  
REVENUE FUND AGENCY

Statement of Cash Flows

Years ended December 31, 1996 and 1995

	1996	1995
Cash flows from operating activities:		
Recess revenues over expenses	\$ 3,383,853	\$ 888,215
Less adjustments for investments income	(1,504,000)	(1,353,377)
	2,273,853	__534,838
Adjustments to reconcile amount of operating revenues over expenses to net cash provided by fund (a) operating activities:		
Increase in due from affiliates	1054,363	(59,857)
Increase (decrease) in unpaid claims payable	11,944,140	685,886
Increase in required premium and accrued expenses	__486,826	__372,813
Total adjustments	11,832,329	__646,846
Net cash provided by fund (a) operating activities	1,541,782	__117,803
Cash flows from investing activities:		
Purchase of investments	(8,733,094)	(8,098,389)
Recovery of investments	1,318,438	8,748,840
Investment interest received, net of premium accretion of \$148,203 and \$528,399 in 1996 and 1995, respectively	1,256,563	2,723,280
Net cash used in investing activities	(1,258,093)	__373,831
Net decrease in cash	(13,811)	(256,028)
Cash, beginning of year	__380,380	__636,408
Cash, end of year	\$ __366,569	__380,380

See accompanying notes to financial statements.



LOUISIANA MUNICIPAL  
RESERVE FUND REPORT

Notes to Financial Statements

(5) Reinsurance Policy Coverage

Policies in and during the year ended December 31, 1988, LMRFA provided reinsurance to LMRFA, Accident and Health, Public Liability and Workers' Compensation Policies with the following aggregate:

Workers' Compensation Fund

- Item I: \$2,000,000 annual aggregate in excess of \$50 of earned annual premium
- Item II: \$2,000,000 each and every loss in excess of \$10,000 each and every loss

Public Liability Fund

- Item I: \$1,000,000 annual aggregate in excess of \$50 of earned annual premium
- Item II: \$500,000 each and every loss in excess of \$20,000 each and every loss

Accident and Health Fund

- Item I: Annual aggregate in excess of 100% of annual aggregate retention \$500 of earned Annual Premium, listed as a minimum of earned annual premium
- Item II: \$500,000 each and every loss in excess of \$50,000 each and every loss

Effective January 1, 1988, LMRFA obtained commercial reinsurance for claims to \$10,000

Workers' Compensation Fund

- Item I: \$1,000,000 annual aggregate
- Item II: \$1,000,000 each and every loss in excess of \$10,000 each and every loss up to \$40,000

No changes were made in the Public Liability Fund coverage.

(Continued)

LOUISIANA MUNICIPAL  
 REVENUE FUND ACCOUNT

Balance Sheet

December 31, 1990 and 1989

Assets	1990	1989
Cash (note 4)	\$ 87,879	189,390
Investments (note 4)	28,820,889	28,087,228
Due from affiliates (note 5), net	485,487	388,322
Accrued interest receivable	119,313	178,225
	\$ <u>29,473,568</u>	<u>28,843,165</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities:</b>		
Unpaid claims covered (note 3)	13,662,880	16,398,188
Unearned premium	45,941	48,685
Compensation payable	638,520	174,344
Accrued expenses	8,560	128
	14,935,801	16,811,345
Fund balance	14,537,767	12,031,820
	\$ <u>29,473,568</u>	<u>28,843,165</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

	1990	1991	1992	Fund Debt Balance					
				1993	1994	1995	1996	1997	1998
				in thousands					
Four years									
initial	\$	-	-	-	4,400	5,170	6,704	8,800	1,107
Five years									
initial	-	-	-	-	-	4,170	6,704	8,800	9,400
Six years									
initial	-	-	-	-	-	-	6,704	8,800	9,400
Seven years									
initial	-	-	-	-	-	-	-	8,800	9,400
Eight years									
initial	-	-	-	-	-	-	-	-	9,400
Increases (decreases)									
in estimated									
increases									
claims and									
expenses from									
end of policy									
year	\$	-	100	218	377	510	618	687	691

See accompanying independent auditors' report.

LOUISIANA MUNICIPAL  
REVENUE FUND AGENCY

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LOWELLVILLE MUNICIPAL  
RESERVE FUND AGENCY

Financial Statements and Schedule

December 31, 1998 and 1999

With Independent Auditors' Report Thereon

Private Trust  
Suite 1900  
401 Poydras Street  
Baton Rouge, LA 70802-1900

**Compliance Report Based on 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, 1998, and have issued our report thereon dated April 15, 1999.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations and contracts applicable to Louisiana Municipal Risk Management Agency - Workers' Compensation Fund is the responsibility of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

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

*KPMG Peat Marwick LLP*

April 28, 1999

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

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

*KPMG Apt. Thruway LLP*

April 23, 2007

French Town  
Suite 1000  
401 Finks Court  
Baton Rouge, LA 70801-1700

**Report on Internal Control Structure 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, 1994, and have issued our report thereon dated April 25, 1995.

We conducted our audits in accordance with generally accepted auditing standards and 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.

The management of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or misstatements may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund for the year ended December 31, 1994, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.



LOUISIANA MUNICIPAL  
 BOND FUND ASSET

Statement of Revenues, Expenses and Changes in Fund Balance

Years ended December 31, 1996 and 1995

	1996	1995
Revenues:		
Interest income State of	\$ 3,633,900	\$ 3,661,300
Investment income	3,564,681	1,759,799
Contributions	<u>438,888</u>	<u>        </u>
Total revenues	<u>\$ 7,637,469</u>	<u>\$ 5,421,100</u>
Expenses:		
State expense State of	383,380	\$ 813,023
Insurance premium expense	383,000	412,767
Miscellaneous	<u>28,835</u>	<u>14,144</u>
Total expenses	<u>\$ 785,215</u>	<u>\$ 1,239,934</u>
Excess of revenues over expenses	6,852,254	4,181,166
Fund balance, beginning of year	8,648,884	1,158,848
Fund balance, end of year	\$ 15,501,118	\$ 5,340,014

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL ASSOCIATION  
UNEMPLOYMENT COMPENSATION FUND

Form No Financial Statements

December 31, 1990 and 1989

(i) Significant Accounting Policies

(a) Background and Financial Statement Organization

Louisiana Municipal Association - Unemployment Compensation Fund (the Fund) was formed under Louisiana Revised Statutes 29:1552. The Fund consists of Louisiana municipalities joined together in self-insurance agreements with respect to unemployment compensation fund insurance. 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, 1989, there were 5,528 participants and 120 participating municipalities. As of December 31, 1990, there were 4,466 participants and 120 participating municipalities.

The Fund and LMA are affiliated through common ownership and management control. Although both of these entities are distinct entities, 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 GASB 20 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 accordance with its operations unless those pronouncements conflict or contradict GASB pronouncements.

(c) Cash and Cash Equiv

For the purposes of the statement of Cash Equiv, cash includes cash in demand deposit accounts with banks. Positive 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 sheet as cash in banks.

(d) Investments

Investments are carried at cost or amortized cost, unless there is evidence in value that is considered other than temporary, in which

(Cash Invest)

Weaknesses could not be detected. Also, prediction of any evaluation of the situation in future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

This report is intended for the information of Louisiana Municipal Reserve Fund Agency and the office of the Legislative Auditor, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*KPMG Audit Manager HP*

April 20, 1987

# KPMG Peat Marwick LLP

Partner Group  
Suite 1900  
400 Foothill Street  
Baton Rouge, LA 70802-0200

## Compliance Report Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards

MISSISSIPPI AND TROUBLEMA  
Louisiana Municipal  
Reserve Fund Agency

We have audited the financial statements of Louisiana Municipal Reserve Fund Agency as of and for the year ended December 31, 1996, and have issued our report thereon dated April 26, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported hereon under Government Auditing Standards.

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

*KPMG Peat Marwick LLP*

April 26, 1997

LOGGERS UNION LOCAL ASSOCIATION  
UNEMPLOYMENT COMPENSATION FUND

FINANCIAL STATEMENTS

December 31, 1994 and 1995

With Independent Auditor's Report Thereon

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYERS' CONTRIBUTION FUND

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# KPMG Peat Marwick LLP

Partner Office  
Suite 1700  
401 Poydras Street  
Baton Rouge, LA 70801-1700

## Independent Auditor's Report

Officers and Trustees  
Louisiana Municipal Association  
Employment Compensation Fund

We have audited the accompanying balance sheets of Louisiana Municipal Association - Employment Compensation Fund (a quasi-public organization) (the Fund) as of December 31, 1996 and 1995, and the related statements of revenues, expenses and changes in fund balances, 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 audit.

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. In some instances, auditing on a test basis, evidence supporting the amounts and disclosures in the financial statements. We audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 aspects, the financial position of Louisiana Municipal Association - Employment Compensation Fund as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report, dated April 25, 1997, on our consideration of the Fund's internal control structure and a report, dated April 25, 1997, on its compliance with laws and regulations.

*KPMG Peat Marwick LLP*

April 26, 1997

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYMENT COMMISSION FUND

BALANCE SHEET

December 31, 1998 and 1997

ASSETS	1998	1997
Cash in banks (note 3)	\$ 43,882	151,017
Accounts receivable	54,948	69,523
Receivable interest receivable	27,138	26,304
Investments (note 3)	\$,885,837	\$,833,894
	\$ 1,011,805	\$,880,738
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Accrued expenses	13,033	13,033
Unpaid claims reserve (note 3)	466,263	39,274
	479,296	52,307
Fund balance	\$,532,509	\$,828,431
	\$ 1,011,805	\$,880,738

See accompanying notes to financial statements.



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**Report on Internal Control Structures in Accordance  
With Government Auditing Standards**

DEFENSE and TOURISM  
Louisiana Municipal  
Reserve Fund Agency

We have audited the financial statements of Louisiana Municipal Reserve Fund Agency as of and for the year ended December 31, 1996, and have issued our report thereon dated April 22, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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 misstatements.

In planning and performing our audits of the financial statements of Louisiana Municipal Reserve Fund Agency for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of Louisiana Municipal Reserve Fund Agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, activities and judgments by management are required to assure the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may

POLISHANK MUTUAL ASSOCIATION  
 (INCORPORATED IN CALIFORNIA)

Statement of Cash Flows

Years ended December 31, 1996 and 1995

	1996	1995
<b>Cash Flows from operating activities:</b>		
Excess of revenues over expenses	\$ 382,550	920,589
Less adjustment for investment interest	(249,389)	(188,439)
	____ 133,161	____ 732,150
<b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operations:</b>		
Increase in investments	13,178	28,877
Increase in unpaid claims payable	2,893	28,584
Increase in accrued expenses	____ 1,322	____ 3,229
<b>Total adjustments</b>	____ 17,393	____ 60,690
<b>Net cash provided by operating activities</b>	____ 150,554	____ 792,840
<b>Cash Flows from investing activities:</b>		
Purchase of investments	(1,388,848)	(1,467,859)
Sale or maturity of investments	158,403	879,340
Interest income received, net of premium accretion of \$94,378 and \$288,428 in 1996 and 1995, respectively	____ 262,894	____ 466,254
<b>Net cash used by investing activities</b>	____ (967,551)	____ (122,265)
<b>Net increase (decrease) in cash</b>	____ (816,997)	____ 670,575
Cash, beginning of year	____ 151,032	____ 480,514
Cash, end of year	\$ ____ 334,035	\$ ____ 1,151,089

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL  
EMPLOYEES PENSION BOARD

NOTES TO FINANCIAL STATEMENTS

The LEPPB Accident and Sickness Fund obtained commercial reinsurance effective January 1, 1995 and is not covered by LEPPB.

LEPPB and LEPPA expressed a cooperative program for group term life 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, 1995, LEPPA also provides reinsurance for 3 municipalities for workers' compensation claims up to an annual aggregate amount ranging from 80% to 90% of their standard provision.

15) Recent Accounting Developments

In February 1994, SASB issued Statement No. 30, Fair Financing Entities, which is effective for periods beginning after June 15, 1994. This statement requires the inclusion of specific incremental credit adjustment, capital requirements and estimated recoveries in the determination of the liability for unpaid claims and modified contract disclosure requirements. The impact of these provisions is being reviewed by management of the Fund.

SENIORS MUNICIPAL ASSOCIATION  
 INVESTMENT CORPORATION FUND

Notes to Financial Statements

and the carrying amount is reduced to market value. Included in investments are certificates of deposits 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 corporate agreements.

(d) Special Ongoing Liability

Claims expense consists of estimated amounts for claims incurred during the current year and adjustments to the accounting estimate of prior years' claims 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.

(e) Income Taxes

The Fund is exempt from Federal Income Taxes under Sections 7181 and 1321 of the Internal Revenue Code.

(f) 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.

(g) Claims Expense and Special Claims Reserve

The following represents changes in the Special Liabilities for the Fund for the years ended December 31, 1994 and 1993:

	1994	1993
	in thousands	
Special claims and claim adjustment expenses at beginning of year	\$ .25	.25
Reversed claim and claim adjustment expenses - provision for insured events of the current year	122	122
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	82	181
Claims and claim adjustment expenses attributable to insured events of prior years	.25	.25
Total payments	82	182
Total unpaid claims and claim adjustment expenses at end of year	\$ .00	.25

(continued)

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYEES CONTRIBUTION FUND

BOOK OF FINANCIAL STATEMENTS

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

(3) Cash and Investments

Cash in banks is carried at cost and separately displayed on the balance sheet as cash. Dividends on deposits, money market accounts and repurchase agreements are included in investments as their average maturity is greater than 90 days or are reinvested continuously.

The deposit deposits are categorized to give an indication of the level of risk assumed at year end. "Insured" deposits are those balances protected by Federal Depositary Insurance or FDIC-guaranteed. "Uninsured" deposits are those balances in excess of Federal Depositary insurance. Bank account balances and notification of deposit are either insured or uninsured as indicated as follows:

	1996	1995
Insured	4,435,860	357,873
Uninsured		
	<u>4,435,860</u>	<u>357,873</u>

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 are notification of deposits, 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 agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the banker'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 banker or dealer, or by its trust department or agent, but not in the Fund's name.

Continued

LOUISIANA MUTUAL ASSOCIATION  
 (REGULATORY DISBURSMENT FUND)

Notes to Financial Statements

The amortized cost, unamortized gain, unrealized losses and market value for investments by security type at December 31, 1998 and 1999 are as follows:

	Amortized cost	Unamortized gain	Unrealized losses	Market value	Category
<b>December 31, 1998:</b>					
Certificates of deposit	\$ 301,000	-	-	300,000	-
Money market accounts	84,070	-	-	84,070	-
U.S. Government Agency obli- gations	1,158,000	8,577	(502,181)	2,664,396	1
U.S. Treasury securities	2,628,871	178	(338,822)	2,290,227	1
	\$ 4,171,941	8,755	(841,003)	3,339,693	
<b>December 31, 1999:</b>					
Certificates of deposit	100,000	-	-	100,000	-
Money market accounts	91,743	-	-	91,743	-
U.S. Government Agency obli- gations	1,200,000	10,184	(332,848)	1,877,336	1
U.S. Treasury securities	2,022,000	11,225	(285,283)	1,747,942	1
	\$ 3,413,743	21,409	(618,131)	2,817,021	

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

	1998		1999	
	Amortized cost	Market value	Amortized cost	Market value
Due in one year	\$ 830,818	830,818	181,943	181,943
Due after one year through five years	876,517	844,501	1,828,364	1,688,480
Due after five years through ten years	1,100,724	1,122,140	260,717	260,380
Due after ten years	2,216,900	2,524,158	8,075,350	2,523,817
	\$ 4,825,959	5,321,617	9,346,374	4,654,620

(cont. next)

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYMENT COMPENSATION FUND

Notes to Financial Statements

Included in investments balance as of December 31, 1998 and 1999 are derivative investments. These investments included U.S. Treasury strips and collateralized mortgage obligations with a cost of \$1,381,350 and a market value of \$3,183,877 as of December 31, 1998. These derivative investments are measured with volatility, and as a result, could experience future market value fluctuations.

04) Board Accounting Procedures

In February 1998, EMCO issued Statement No. 30, Risk Financing Guide, which is effective for periods beginning after June 15, 1998. This statement requires the inclusion of specific incremental claim adjustment expenditures/expenses and estimated recoveries in the determination of the liability for unpaid claims and modifies current disclosure requirements. The impact of these provisions is being reviewed by management of the FUND.

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**Report on Internal Control Structures in accordance  
with Government Auditing Standards**

Officers and Directors  
Louisiana Municipal Association  
Unemployment Compensation Fund

We have audited the financial statements of Louisiana Municipal Association - Unemployment Compensation Fund as of and for the year ended December 31, 1994, and have issued our report thereon dated April 21, 1995.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of Louisiana Municipal Association - Unemployment Compensation Fund is responsible for establishing and maintaining an internal control structure. In fulfilling their responsibility, initiative and judgment by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any realizations of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Louisiana Municipal Association - Unemployment Compensation Fund for the year ended December 31, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Notes to Financial Statements

December 31, 1995 and 1994

(1) Significant Accounting Policies

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 482 of 1978 to provide a program of worker's compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 50:1241-1250, 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 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 underwriting 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 Insurance Funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 50:1241(c). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the Agency is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Workers' Compensation Fund.

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 10 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 focus. The Fund applies all applicable GAAP

(Continued)

AMERICAN OVERSEAS  
CORPORATION 1984 REPORT

Page 21

December 31, 1984

The table below illustrates the Firm's capital (fixed) position and investment income compared to related costs and claims against resources measured by the Firm as of the end of 1983 and as of the end of each of the last eight years.

	Fixed Total Assets								
	1983	1983	1984	1985	1986	1987	1988	1989	1990
	(in thousands)								
Net net investment income	\$ 2,182	\$ 2,317	\$ 2,482	\$ 2,677	\$ 2,878	\$ 3,132	\$ 3,448	\$ 3,883	\$ 4,356
Operating costs, capitalized	\$ 1,415	\$ 1,412	\$ 1,420	\$ 1,437	\$ 1,454	\$ 1,471	\$ 1,488	\$ 1,505	\$ 1,522
Depreciated operating claims and expenses end of policy year	\$ 2,883	\$ 3,159	\$ 3,488	\$ 3,928	\$ 4,358	\$ 4,838	\$ 5,366	\$ 5,943	\$ 6,578
Fixed immobilized or illiquid of policy year	\$ -	\$ -	\$ 386	\$ 677	\$ 977	\$ 1,277	\$ 1,577	\$ 1,877	\$ 2,177
One year notes	-	-	\$ 489	\$ 677	\$ 866	\$ 1,055	\$ 1,244	\$ 1,433	\$ 1,622
Two years notes	-	-	\$ 499	\$ 1,178	\$ 1,730	\$ 2,282	\$ 2,834	\$ 3,386	\$ 3,938
Three years notes	-	-	-	\$ 1,795	\$ 2,475	\$ 3,155	\$ 3,835	\$ 4,515	\$ 5,195
Four years notes	-	-	-	-	\$ 2,700	\$ 3,380	\$ 4,060	\$ 4,740	\$ 5,420
Five years notes	-	-	-	-	-	\$ 4,090	\$ 4,770	\$ 5,450	\$ 6,130
Six years notes	-	-	-	-	-	-	\$ 1,432	\$ 1,287	\$ 1,142
Seven years notes	-	-	-	-	-	-	-	\$ 1,140	\$ 1,140
Eight years notes	-	-	-	-	-	-	-	-	\$ 1,140
Reclassified investment claims and claims against									
End of policy year	\$ 2,883	\$ 3,159	\$ 3,488	\$ 3,928	\$ 4,368	\$ 4,808	\$ 5,248	\$ 5,688	\$ 6,128
One year notes	-	\$ 1,179	\$ 1,659	\$ 2,139	\$ 2,619	\$ 3,099	\$ 3,579	\$ 4,059	\$ 4,539
Two years notes	-	-	\$ 2,094	\$ 2,790	\$ 3,486	\$ 4,182	\$ 4,878	\$ 5,574	\$ 6,270
Three years notes	-	-	-	\$ 2,853	\$ 3,768	\$ 4,683	\$ 5,598	\$ 6,513	\$ 7,428
Four years notes	-	-	-	-	\$ 4,583	\$ 6,011	\$ 7,439	\$ 8,867	\$ 10,295
Five years notes	-	-	-	-	-	\$ 4,888	\$ 6,584	\$ 8,280	\$ 9,976
Six years notes	-	-	-	-	-	-	\$ 3,291	\$ 2,319	\$ 1,347
Seven years notes	-	-	-	-	-	-	-	\$ 1,140	\$ 1,140
Eight years notes	-	-	-	-	-	-	-	-	\$ 1,140
Income identified in unliquidated investment claims and expenses from end of policy year	\$ 1,767	\$ 1,902	\$ 2,037	\$ 2,172	\$ 2,307	\$ 2,442	\$ 2,577	\$ 2,712	\$ 2,847

LOUISIANA MUNICIPAL ASSOCIATION  
EMPLOYMENT COMPENSATION FUND

Statement of Revenues, Expenses and Changes in Fund Balance

Years ended December 31, 1996 and 1995

	1996	1995
<b>Revenues:</b>		
Premium Income	\$ 383,350	356,500
Investment Income	—282,182	—468,414
<b>TOTAL REVENUES</b>	<b>—45,832</b>	<b>—111,914</b>
<b>Expenses:</b>		
Claims reported under R1	137,391	137,830
Service agent	23,827	21,450
Miscellaneous	—8,222	—2,813
<b>Total expenses</b>	<b>—121,790</b>	<b>—162,093</b>
<b>Excess of revenues over expenses</b>	<b>383,158</b>	<b>642,590</b>
Fund balance, beginning of year	\$ 3,732,487	\$ 3,090,897
Fund balance, end of year	\$ 4,115,645	\$ 3,732,487

See accompanying notes to financial statements.

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*

April 25, 1997

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

**Notes to Financial Statements**

**10) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes cash in demand deposit accounts with banks. Money market funds, certificates of deposit, money market and repurchase agreements are usually purchased with maturities of 90 days or more or are rollovered continuously. They are classified as investments.

**10) Reinsurance**

The Fund uses reinsurance to reduce its exposure to large losses or insured events. Further description of the reinsurance coverage is described in note 3. 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 provision for claims covered by the reinsurer in accordance with the reinsurance policy.

**10) Income Taxes**

The Fund is exempt from federal income taxes under Sections 7701 and 11511 of the Internal Revenue Code.

**10) 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.

**11) Related Party Transactions**

**(a) Fees and Expenses**

LMA, MRI and LMRFA 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 annual normal premiums as follows:

	2008	2007
<b>Expenses:</b>		
Administrative Fees - LMA (\$5.00 per person per month)	\$ 31,320	23,351
Service Agent Fees - MRI (\$13.00 fee health participants and \$1.00 fee dental participants)	\$ 488,827	488,163

(Continued)

**LOUISIANA MUNICIPAL RISK MANAGEMENT BOARD  
ACCOUNT AND HEALTH FUND**

**NOTES TO FINANCIAL STATEMENTS**

	1994	1993
<b>Reinsurance:</b>		
\$M administrative fee (5% of monthly reinsurance fee)	\$ _____	<u>2,500</u>
<b>EMMA reinsurance reimbursement</b>	\$ _____	<u>27,500</u>
<b>Due to affiliates:</b>		
LMA	1,000	3,000
RMI	23,000	<u>20,000</u>
	<u>\$ 24,000</u>	<u>24,000</u>

The Fund changed its reinsurer in 1993 as detailed in note 3.

**(9) Premium Rebates and Contributions**

During 1994, LMB's board resolved to rebate \$500,000 of the 1993 excess earned fees back to the municipalities in the form of credits toward their 1994 earned normal premium payments. The \$500,000 was paid to the Fund prior to December 31, 1994 and is included in earned premium at December 31, 1994 and earned premium for 1995.

During 1993, LMB's board resolved to rebate \$300,000 of the 1994 excess earned fees back to the municipalities in the form of credits toward their 1994 earned normal premium payments. The \$300,000 was paid to the Fund prior to December 31, 1993 and is included in earned premium in the year ended December 31, 1993.

During 1994, because of the increase in claim expenses, LMB's board contributed \$925,000 to assist the Fund in paying claims; this amount is reflected as a contribution on the statement of revenues, expenses and changes in fund balances.

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

(3) Claims Expense and Unpaid Claims Reserve

The following represents changes in the aggregate liabilities for the Fund for the years ended December 31, 1994 and 1993:

	1994	1993
	Amounts in thousands	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 2,348	2,071
Increased claims and claim adjustment expense-provision for incurred events	5,842	2,164
Total increased claims and claims adjustment expense	11,708	11,235
Less payments - claims and claim adjustment expense	(10,872)	(11,911)
Total unpaid claims and claim adjustment expenses at end of year	2,537	2,565
Less claims covered by reinsurer	(1,020)	(1,121)
Unpaid claims reserve	\$ 1,517	\$ 1,444

Settled claims have not exceeded insurance coverage in any of the past three fiscal 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 in not in excess of the greater of \$200,000 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 as of and during the period ended December 31, 1994 and 1993.

The insured 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.

	1994	1993
Insured	\$ 2,348	-
Uninsured	-----	-----
	\$ 2,348	-----

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

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 are certificates of deposit, money market accounts, U.S. Government obligations and repurchase agreements. During 1998, 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 at 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 the trust department or agent, but not in the Fund's name.

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

	1998		1997		CATEGORY
	Reported cost	Market value	Amortized cost	Market value	
Repurchase agreements	\$ -	-	\$ 154,153	\$ 154,153	1
Certificates of deposit - insured	100,000	100,000	100,000	100,000	-
Money market accounts	414,719	414,719	13,833	13,833	-
U.S. Government Agency	890,321	890,320	-	-	1
U.S. Government Treasury securities	630,000	630,000	308,860	308,828	1
	\$ 2,034,320	\$ 2,034,320	\$ 581,843	\$ 580,814	

The repurchase agreement and certificates of deposit are collateralized by obligations of the U.S. Government, registered in the name of and held by the Fund's agent.

Unrealized gross gains and losses were as follows as of December 31:

	1998	1997
Gross unrealized gains	\$ 2,830	\$ 2,830
Gross unrealized losses	\$ 2,739	-

(continued)



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

**Notes to Financial Statements**

The **COMBINED BALANCES** of Investments held were as follows at December 31:

	1998		1997	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in one year	\$ 1,831,128	1,833,483	1,567,785	1,567,785
Due after one year through five years	818,150	816,253	818,048	814,728
Due after ten years	-	-	-	-
	\$ 2,649,278	2,649,736	2,385,833	2,382,513

**(4) 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.

During the period ended December 31, 1998, the Fund obtained reinsurance from a commercial insurer to provide the following coverage:

- Item I: Annual aggregate in excess of 120% of annual aggregate retention.
- Item II: \$500,000 each and every loss in excess of \$100,000 each and every loss.

The commercial reinsurer covered all claims incurred in 1998 and thereafter. No claims for reinsurance are outstanding from LMRFA as of December 31, 1998 and 1997.

**(5) Recent Accounting Pronouncements**

In February 1999, GAO issued Statement No. 30, Risk Financing Overview, which is effective for periods beginning after June 15, 1999. This statement requires the inclusion of specific incremental claim adjustment expenditures/expenses and estimated amounts in the determination of the liability for unpaid claims and modifies current disclosure requirements. The impact of these pronouncements is being reviewed by management of the Fund.

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**Report on Internal Control Structure 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, 1996, and have issued our report thereon dated April 29, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of Louisiana Municipal Risk Management Agency - Accident and Health Fund is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the reported benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and reported properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Louisiana Municipal Risk Management Agency - Accident and Health Fund for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

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

*Keith Paul Marshall, CPA*

April 24, 1997

Partner Emeritus  
Suite 600  
400 Poydras Street  
New Orleans, LA 70112-1098

**Compliance Report Based on Audit 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, 1996, and have issued our report thereon dated April 25, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations and contracts applicable to Louisiana Municipal Risk Management Agency - Accident and Health Fund is the responsibility of Louisiana Municipal Risk Management Agency - Accident and Health Fund's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Louisiana Municipal Risk Management Agency - Accident and Health Fund's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

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

*KPMG Peat Marwick LLP*

April 25, 1997

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Financial Statements and Schedule

December 31, 1998 and 1999

with Independent Auditors' Report Thereon

LOUISIANA REINSURANCE RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Moved to Financial Statements

(2) Reinsurance-Risk Coverage

During the periods ended December 31, 1994 and 1995, LRRMA provided reinsurance to LRRMA Public Liability Fund with the following aggregate:

Item I:	\$5,000,000 annual aggregate amount of 80% of earned annual premium
Item II:	\$200,000 each and every loss in excess of \$500,000 each and every year

The Fund and LRRMA represent a cooperative program for group bonding and risk management of public liability claims of participating Louisiana municipalities. As December 31, 1994 and 1995, there were 282 and 281 participating municipalities, respectively. Although premiums billed to the participants are determined on an actual basis, LRRMA's liability for claims remains with the participants.

FROM 1985, 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 policy" for the Public Liability Fund covers claims up to \$500,000. As of December 31, 1995, the statutory liability increased to \$750,000 from \$500,000. The Fund's coverage remains unchanged.

The following are balance sheets for LRRMA for the years ended December 31, 1994 and 1995:

	Assets	
	1994	1995
Cash and cash equivalents	\$ 47,078	180,380
Accrued interest receivable	318,713	170,370
Due from affiliates	843,487	888,107
Investments	22,528,849	22,827,203
	<b>\$ 23,471,127</b>	<b>23,565,960</b>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Unpaid claims reserve	15,842,800	16,204,180
Reinsurance payable	829,328	178,380
Deferred premium	43,713	48,480
Accrued expense	4,563	100
	<b>16,820,304</b>	<b>16,831,140</b>
Fund balance	21,821,114	8,048,681
	<b>\$ 23,471,127</b>	<b>23,565,960</b>

continued

Peat Marwick  
Suite 2700  
401 Poydras Street  
New Orleans, LA 70002-2700

**Independent Auditors' Report**

**Offices and Title**  
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, 1996 and 1995, and the related statements of revenues, expenses and changes in fund balances, 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. 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 statements 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, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report, dated April 25, 1997, on our consideration of the Fund's internal control structure and a report, dated April 25, 1997, on its compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the basis financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a

LOUISIANA HORTICULTURAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Statement of Cash Flows

Years ended December 31, 1990 and 1989

	1990	1989
Cash flows from operating activities:		
Receipts (deficiency) of revenue over expenses	\$ 150,708	191,948
Less adjustments for investment income	(191,873)	(125,253)
	(41,165)	(33,305)
Adjustments to reconcile excess (deficiency) of operating revenues over expenses to net cash provided by (used in) operations:		
Decrease (increase) in due from ceditors	159,301	146,504
Decrease (increase) in prepayments	29,463	(93,584)
Increase (decrease) in unpaid claims reserves	(229,904)	190,900
Decrease in accounts payable, due to affiliates and unearned premiums	(129,728)	(180,381)
Total adjustments	(119,868)	(136,561)
Net cash used in operating activities	(160,973)	(167,804)
Cash flows from investing activities:		
Purchase of investments	(1,783,140)	(434,894)
Reimbursement of investments	2,341,450	268,861
Investment interest received	83,825	128,480
Net cash provided by (used in) investing activities	(357,865)	(136,853)
Net increase (decrease) in cash	2,288	(194,817)
Cash, beginning of year	-	188,813
Cash, end of year	\$ 2,288	-

See accompanying notes to financial statements.



**LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
WORKERS' COMPENSATION 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.

**(9) 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 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, 1985, LMRFA became the reinsurer for the Fund.

**(10) Income Taxes**

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

**(11) 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 those estimates.

**(12) Related Party Transactions**

**(a) Fees and Services**

LRFA, MFI and LMRFA 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 earned annual premiums (EAP) as follows:

	1986	1985
<b>Expenses:</b>		
Administration Fee - LRFA (3.45% of EAP plus interest earned)	\$ <u>1,266,018</u>	<u>1,431,760</u>
Service Agent - MFI (3.05% of EAP)	\$ <u>281,031</u>	<u>624,279</u>
Reinsurance - LMRFA (10% of EAP)	\$ <u>343,078</u>	<u>827,518</u>
Fee from reinsured LMRFA (Note 2)	\$ <u>          </u>	<u>128,388</u>

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Statements of Revenues, Expenses and Changes in Fund Balance

Years ended December 31, 1996 and 1995

	1996	1995
<b>Revenues:</b>		
Premium Income	\$ 7,084,188	\$ 5,515,000
Investment Income (note 2)	3,027,773	1,888,964
Refund of administrative fees (note 2)(1)	-----	<u>304,845</u>
<b>Total revenues</b>	<b>\$ 10,416,961</b>	<b>7,708,769</b>
<b>Expenses:</b>		
Administrative fees (note 2)	1,348,881	1,318,287
Claims expenses (note 2)	4,028,453	3,150,827
Retirement premiums (note 2)	1,727,541	1,594,371
Service fees (note 2)	188,331	183,845
Miscellaneous	<u>27,470</u>	<u>8,338</u>
<b>Total expenses</b>	<b>7,320,676</b>	<b>6,255,228</b>
Excess of revenues over expenses	3,096,285	1,453,541
Fund balance, beginning of year	8,373,837	3,161,245
Fund balance, end of year	\$ <u>11,469,122</u>	\$ <u>4,614,786</u>

See accompanying notes to financial statements.

LAURELTON MUNICIPAL FIRE MANAGEMENT AGENCY  
 BONDING CORPORATION FUND

Subsidiary

December 31, 1994

The table below illustrates the Fund's annual normal premium and investment income compared to related 1994-95 claims expense and of loss assumed by reinsurers incurred by the Fund as of the end of 1994 and as of the end of each of the last nine years.

	Fund Year Ended								
	1985	1986	1987	1988	1989	1990	1991	1992	1993
	(in thousands)								
Net and investment income	\$ 2,353	2,320	2,548	2,882	2,837	2,882	4,078	3,320	3,480
Operating costs, unallocated	\$ 2,888	2,888	2,881	2,538	2,838	2,028	2,182	2,812	2,481
Reinsured deducted claims and expenses, net of policy fees	\$ 2,212	2,218	2,282	2,221	2,812	2,878	2,028	2,807	2,322
Net premium (loss) as of end of policy year	\$ 759	1,807	818	2,888	2,849	2,028	2,078	2,044	718
One year later	-	1,848	2,736	2,509	2,848	2,712	2,942	2,478	1,187
Two years later	-	-	2,127	2,411	4,888	2,741	4,182	2,274	1,784
Three years later	-	-	-	2,888	4,472	4,078	4,081	2,748	2,008
Four years later	-	-	-	-	4,768	4,740	2,182	4,272	2,180
Five years later	-	-	-	-	-	4,882	2,528	4,478	2,280
Six years later	-	-	-	-	-	-	2,442	4,268	2,182
Seven years later	-	-	-	-	-	-	-	4,884	2,882
Eight years later	-	-	-	-	-	-	-	-	2,478
Re-estimated reinsured claims and claims expenses, net of policy fees	\$ 2,812	4,212	4,782	2,741	2,812	4,478	4,028	2,807	2,312
One year later	-	4,212	4,428	4,776	2,684	2,888	4,482	2,878	2,428
Two years later	-	-	4,428	2,182	2,684	2,276	4,428	2,878	2,182
Three years later	-	-	-	2,182	2,428	2,278	4,784	2,878	2,258

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

December 31, 1996 and 1995

(1) Organizational Accounting Policies

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 489 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 33:1361-1388, all local government subdivisions in the state of Louisiana are eligible to participate. The Public Liability Fund's (the Fund) general objectives are to stabilize, develop, and administer, on behalf of the member local governmental subdivisions, a program of impartial 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 re-underwriting 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 remaining 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 LMRMA Insurance Funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Workers Fund Agency (LMWFA) is formed under Louisiana Revised Statutes 23:1349(c). LMWFA consists of interrelated risk management agencies pooling excess funds to provide reinsurance. Administration of LMWFA is vested in the Executive Board of LMA. LMWFA reinsures the LMRMA Public Liability Fund.

The various LMRMA 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 10 and GAAP 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 FASB

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
FINANCIAL STATEMENTS

Notes to Financial Statements

proceedments issued on or before November 30, 1988 in accordance for its operations unless those proceedings conflict with or contradict other proceedings.

400 Investments

Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government agency obligations and are held for long-term investment purposes. U.S. government agency obligations are stated at amortized cost unless there is a decline in value that is considered other than temporary, in which case the carrying amount is reduced to market value. Management has the interest and ability to hold investments therefore, no realized losses are anticipated.

401 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.

402 Unpaid Claims Liabilities

The Fund establishes claim 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 unincurred reserves 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 claim 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 current settlements, claims 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 liability are charged or credited to expense in the periods in which they are made. The costs associated with one and several contracts are expensed as acquisition costs are beneficial 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 8.0% at December 31, 1988 and 1985.

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
 PUBLIC LIABILITY FUND

Notes to Financial Statements

(4) **Statement of Cash Flows**

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Money market funds and deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more, they are classified as investments (see Note 5).

(5) **Reinsurance**

The Fund uses reinsurance agreements to reduce the 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 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 1, 1998, LMRFA became the reinsurer for the Fund.

(6) **Income Taxes**

The Agency is exempt from Federal Income taxes under Sections 71E and 110(c) of the Internal Revenue Code.

(7) **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.

(8) **Related Party Transactions**

(a) **Fees and Services**

LMR, MRA and LMRFA 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 portions as follows:

	1998	1997
<b>Expenses:</b>		
Administrative Fee - LMR 1% of EMF plus interest earned	\$ <u>1,144,601</u>	\$ <u>1,014,280</u>
Service agent - MRA 0.5% of EMF	\$ <u>376,350</u>	\$ <u>553,880</u>
Reinsurance - LMRFA 04.5% of EMF	\$ <u>1,727,843</u>	\$ <u>1,988,721</u>
Reinsurance co-insurance - LMRFA	\$ <u>221,832</u>	\$ <u>2,823,220</u>

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT BOARD  
PUBLIC LIABILITY FUND

Notes to Financial Statements

	1994	1995
Due to (From) affiliates:		
LMA	\$ 894,333	\$71,814
MMA	97,943	49,583
LMPFA	<u>287,814</u>	<u>180,305</u>
	1,280,090	1,201,702
Reinsurance premium due to LMPFA	-	<u>30,839</u>
Due to (From) affiliates, net	\$ 1,280,090	\$ 1,232,541

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

10) Note Receivable

LMA has a variable rate note agreement with the Fund. The note bears an interest rate equal to the average investment yield of the Fund on its other investments 18.00% and 5.47% at December 31, 1994 and 1995, respectively. LMA is currently making monthly payments of \$28,424 due the first day of each month based on a 365 month amortization. Collateral for this note is a building owned by LMA. The Fund earned interest of \$185,678 and \$189,851 in respect to the note for the years ended December 31, 1994 and 1995, respectively.

The payments on principal balance due at December 31, 1994 of \$2,562,814 are scheduled as follows:

1997	\$ 88,328
1998	84,037
1999	108,118
2000	108,887
2001	113,877
2002 and after	<u>\$ 1,259,575</u>

10) Premium Rebates

During 1994, LMA's Board received to rebate \$897,118 of the 1993 earned administrative fees back to the municipalities in the form of credits towards their 1993 earned annual premium payments. The \$897,118 was paid to the Fund prior to December 31, 1994 and \$88,080 of cumulative credits has been applied to earned premium for the year ended December 31, 1995.

(Continued)

LOUISIANA MEDICAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

NOTES to Financial Statements

During 1995, LMR's Board received to receive \$469,000 of the 1994 earned administrative fees back to the Fund to be used as follows:

\$334,800 to be used by municipalities in the form of credits toward their 1995 earned normal premium payment; this amount is included in unearned premiums at December 31, 1994.

\$134,200 to be accumulated and retained by the Fund for reserves in 1995 and 1996; this amount is included in reserve of administrative fees.

During 1996, the Fund's participants used \$400,000 of cumulative unearned credits. In addition, the Fund received a rebate of \$290,288 from LMR's Board related to 1995 earned administrative fees which will be available to participants for 1997 premium payments.

(4) Claims Appraisal and unpaid Claims Reserve

The following represents changes in the aggregate liabilities for the Fund for the years ended December 31, 1996 and 1995:

	1996	1995
	(Amounts in thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 22,013	22,120
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,058	1,071
Increase in provision for insured events of prior years	24,878	23,882
Total incurred claims and claims adjustment expenses	25,936	25,153
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	220	460
Claims and claim adjustment expenses attributable to insured events of prior years	2,388	2,458
Total payments	2,608	2,918
Total unpaid claims and claim adjustment expenses at end of year	26,001	26,075
Less discounting at 5.0% and 4.0% for 1996 and 1995, respectively	(3,207)	(4,083)
Less claims covered by reinsurer (net of discount)	(7,482)	(7,782)
Unpaid claims reserve	\$ 15,312	\$ 14,210

(Continued)



LOUISIANA MEDICARE RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

In addition to the unpaid claims covered by the reinsurers, there are \$20,000 of reserves paid claims which are due to the reinsurers at December 31, 1995 and \$4,000 of paid claims due from the reinsurers for claims prior to 1995. At December 31, 1995, \$228,548 of paid claims were receivable from the reinsurers and \$0,000 of paid claims due from the reinsurers for claims prior to 1995.

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 agencies shall be limited to institutions in Louisiana unless a higher rate can be obtained in a non-resident 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 \$250,000 or 5% of the combination of surplus, undivided profits and reserves an annually reported by the financial institution in question. In regard to deposits and investments, the Agency is in compliance with these revised provisions during the years ended December 31, 1994 and 1995.

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 depository insurance or pledged collateral. "Uninsured" deposits are those balances in excess of Federal depository insurance or pledged collateral.

	1994	1995
Insured	\$ 494,738	\$,831,817
Uninsured	_____	_____
	\$ 494,738	\$,831,817

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 the 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 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 the trust department or agent, but not in the Fund's name.

(Cont. next)

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

The amortized cost, unrealized gains, unrealized losses, market value and category classification for investments as of December 31, 1998 and 1995 are as follows:

	Amortized cost	Unrealized gains	Unrealized losses	Market value	Percentage
<b>December 31, 1998</b>					
Certificates of Deposit					
Agency	\$ 300,000	-	-	300,000	-
Money market accounts U.S. Government	1,399,830	-	-	1,400,000	-
Treasury securities	8,408,200	30,000	(136,773)	8,301,427	3
U.S. Agency Obligations	<u>8,312,208</u>	<u>28,611</u>	<u>(132,000)</u>	<u>8,208,819</u>	3
	<b>\$ 16,420,238</b>	<b>\$0,611</b>	<b>(\$68,773)</b>	<b>\$16,159,656</b>	
<b>December 31, 1995</b>					
Certificates of Deposit					
Agency	300,000	-	-	300,000	-
Money market accounts U.S. Government	800,734	-	-	800,734	-
Treasury securities	8,088,338	142,037	(183,690)	8,146,785	3
U.S. Agency Obligations	<u>8,412,888</u>	<u>13,398</u>	<u>(27,000)</u>	<u>8,398,286</u>	3
	<b>\$ 16,502,958</b>	<b>\$136,435</b>	<b>(\$106,690)</b>	<b>\$16,532,703</b>	

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 repurchase agreement, certificates of deposits, 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, 1998 and 1995 are derivative investments. As of December 31, 1998, these investments included U.S. Treasury strips, collateralized mortgage obligations, and floating rate securities with a cost of \$4,732,388 and a market value of \$8,422,975. These derivative investments are interest rate sensitive and, as a result, could experience future market value fluctuations.

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

	1998		1999	
	Amortized cost	Market value	Amortized cost	Market value
Due in one year	\$ 3,483,470	3,483,420	1,152,714	1,154,840
Due after one year through five years	4,363,310	4,375,539	4,508,100	4,578,819
Due after five years through ten years	1,508,088	1,872,880	1,314,788	1,321,815
Due after ten years	<u>4,268,388</u>	<u>4,243,025</u>	<u>4,370,628</u>	<u>4,342,325</u>
	<b>\$ 13,423,256</b>	<b>13,974,864</b>	<b>11,346,230</b>	<b>11,397,819</b>

(Continued)

LOUISIANA MUNICIPAL FUND MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

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WISCONSIN MUNICIPAL ASSOCIATION AND MEMBERS

Notes to Consolidated Financial Statements

such as, but not limited to, utilities, repairs and maintenance, and certain insurance coverages. Below is a recap of transactions relating to this rent agreement between LMA and SMI for the years ended December 31, 1994 and 1995.

	1994	1995
SMI's rent paid to LMA (eliminated in consolidation)	\$ 189,500	189,500
Rent received by SMI	189,410	177,685
Building expenses incurred by SMI	<u>28,283</u>	<u>28,284</u>
Net rental expense	\$ <u>178,487</u>	<u>189,829</u>

Approximate minimum future lease obligations for SMI, including building expenses for the years ending December 31 are as follows:

	SMI's Lease Commitment	Tenant's Lease Commitment	SML
1997	\$ 125,821	27,525	15,196
1998	-	28,881	(28,881)
1999	-	28,384	(28,384)
2000	-	28,787	(28,787)

(9) **Retained Compensation Plan**

LMA offers its employees a deferred compensation plan, similar to accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (and) paid or made available to the employee or other beneficiary solely the property and rights of LMA (without being restricted to the provisions of benefits under the plan), subject only to the claims of SMI's general creditors. LMA's fiduciary responsibility includes overseeing the use of the plan assets, which are recorded on the balance sheet together with a corresponding liability to plan participants. Participants' rights under the plan are equal to those of general creditors of the Association in an event equal to the full market value of the deferred account for each participant.

(10) **Liability for Claims Reserves**

As a service agent for the LMAAA, SMI has responsibility for administration of the claims related to the 1990 Fund year and prior years. This liability has been estimated based on the costs necessary to fulfill this obligation to continue as service agent for the years for which revenue has been received and recognized.

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LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARY

Consolidated Financial Statements

December 31, 1996 and 1995

See Independent Auditor's Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been furnished 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 01/08/97

## LOUISIANA MEDICAL ASSOCIATION AND SUBSIDIARIES

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# **KPMG** Peat Marwick LLP

Private Firm  
Suite 1900  
480 Florida Street  
Baton Rouge, LA 70801-1900

## Independent Auditor's Report

Officers and Trustees  
Louisiana Municipal Association and Subsidiary

We have audited the accompanying consolidated statements of financial position of Louisiana Municipal Association and subsidiary as of December 31, 1994 and 1995, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Louisiana Municipal Association'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. These standards require that we plan and perform the audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Association as of December 31, 1994 and 1995, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The consolidating information included in Schedules 1 through 4 is presented for purposes of additional analysis of the consolidated financial statements and does not present the financial position, results operations and cash flows of the individual companies. The consolidating 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 consolidating financial statements taken as a whole.

*KPMG Peat Marwick LLP*

April 25, 1997

## LOUISIANA PHYSICIAN ASSOCIATION AND PRECEDENT

## Consolidated Statements of Financial Position

December 31, 1996 and 1995

Assets	1996	1995
Cash	\$ 875,378	748,845
CERTIFICATES OF DEPOSIT	450,000	450,000
Accounts receivable	209,547	191,795
Due from affiliates (note 2)	2,183,068	2,383,807
Prepaid expenses	98,038	97,331
Land, building and equipment (cost), net (note 3)	4,895,871	4,887,488
Other assets (note 4)	<u>253,728</u>	<u>214,613</u>
<b>Total assets</b>	<b>\$ 8,850,771</b>	<b>8,804,777</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Deferred dues and fees	148,381	128,278
Accounts payable and accrued expenses	288,495	271,808
Due to deferred compensation plan participants (note 5)	208,498	150,805
Notes payable (note 3)	2,812,428	2,808,848
Claims processing policy (note 6)	<u>250,000</u>	<u>250,000</u>
<b>Total liabilities</b>	<b>3,407,802</b>	<b>3,409,739</b>
<b>Net assets - unrestricted</b>	<b>5,442,969</b>	<b>5,395,038</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,850,771</b>	<b>8,804,777</b>

See accompanying notes to consolidated financial statements.



## LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

## Consolidated Statement of Activities

Years ended December 31, 1996 and 1995

	1996	1995
Changes in unrestricted net assets:		
Revenues and other support:		
Administrative fees and commissions (note 2)	\$ 4,471,562	\$ 4,015,389
Membership dues	304,277	294,869
Legal services (note 2)	242,788	218,328
Rent	125,074	55,185
Interest income	54,947	43,437
Other income	<u>283,886</u>	<u>263,180</u>
Total unrestricted revenues and other support	5,789,514	5,091,290
Expenses - general and administrative	3,678,884	3,458,937
Increase in unrestricted net assets before participant funding	2,110,630	1,632,353
Participant funding (note 2)	2,382,323	2,482,680
Change in unrestricted net assets after participant funding	(70,894)	149,673
Net assets at beginning of year	3,473,691	3,624,018
Net assets at end of year	\$ <u>3,402,797</u>	\$ <u>3,773,691</u>

See accompanying notes to consolidated financial statements.

## LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

TABLE SHOWS PERIODS ENDING 31, 1998 AND 1999

	1998	1999
Change in unrestricted net assets	\$ 130,800	643,293
Adjustments to reconcile the increase (decrease) in unrestricted net assets to net cash provided by operations:		
Depreciation and amortization	221,740	226,554
Change in receivables, payable and due from affiliates	128,284	(389,297)
Changes in accounts payable, accrued expenses and unearned fees	-85,820	132,287
Total adjustments	413,704	(130,656)
Net cash provided by operating activities	544,504	455,421
Cash flows from investing activities:		
Purchase of property, plant and equipment	188,940	178,287
Purchase of certificates of deposits	(450,800)	(450,800)
Maturity of certificates of deposits	450,800	450,800
Net cash used in investing activities	(188,940)	(178,287)
Cash flows from financing activities - payments on long-term debt	(224,812)	(227,811)
Net increase in cash	318,632	81,886
Cash, beginning of year	346,845	264,949
Cash, end of year	\$ 665,477	346,835
Cash paid during the year for interest	\$ 123,715	224,811

See accompanying notes to consolidated financial statements.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 1998 and 1997

(2) Significant Accounting Policies

(a) Principles and Consolidation

The accompanying consolidated financial statements include Louisiana Municipal Association (LMA), its wholly-owned subsidiary, Risk Management, Inc. (RMI) and its wholly-owned subsidiary Risk Management Insurance Agency (RMIA). All intercompany transactions and balances have been eliminated.

(b) Organization Background

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.

RMI, a Louisiana corporation, serves as the third-party administrator for the Louisiana Municipal Risk Management Agency (LMRMA) which was formed under Louisiana Act No. 483 of 1978 to provide a program of municipal risk management for LMA's member municipalities. LMA and RMI are related by common management to LMRMA (Worker's Compensation Fund, Public Liability Fund and Accident and Health Fund), the Louisiana Municipal Reserve Fund (LMRF), and the Louisiana Municipal Association - Unemployment Compensation Fund (LMA-UCF).

LMA was incorporated in 1982 to act as an agent for purchasing insurance on behalf of member municipalities and others.

(c) Financial Statement Presentation

LMA's net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Restricted net assets are those that are not subject to donor-imposed stipulations. Currently, LMA has only unrestricted net assets.

LMA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived operating assets such as land, buildings or equipment are treated as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that

(Continued)

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

must be used to acquire long-lived assets are reported as restricted support. Amounts implicit in our stipulations about how long those long-lived assets must be maintained, expirations of those restrictions are reported when the donated or acquired long-lived assets are placed in service. Currently, LMA has not received any gifts of long-lived assets.

(6) Depreciation and Amortization

Depreciation and amortization are computed using straight-line and accelerated methods over the estimated useful lives of the assets. Lives of the assets are as follows:

Buildings	48 years
Building fixtures	5-18 years
Office equipment	5-18 years
Automotive equipment	5-5 years
Land improvements	5 years
Computer equipment and software	3-5 years

(7) Deferred Income - LMA

Amounts collected in the current year for membership dues for the following year are recorded as unearned income in the current year. Dues of the current year not collected as December 31 are not recorded as receivables, nor are they recorded as income for the current year.

(8) Administrative Fees and Commissions

Amounts earned in the current year are based on an estimate of earned normal provision of LMA's, which approximates actual. Any adjustments from estimated to actual are adjusted in the year in which they become known.

(9) Consolidated Statement of Cash Flows

For the purposes of the consolidated statement of cash flows, cash includes cash in demand deposit accounts with banks. Certificates of deposits have been excluded from cash because the certificates are normally purchased for periods exceeding 90 days.

(10) Related Party Transactions

(a) Fees and Services

LMA provides services related to the LMA's self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the respective stated normal premiums (SNP) or on a per covered participant (PCP) basis. LMA also receives all investment earnings of the Workers' Compensation and Public Liability programs as part of the administrative fee. Amounts have been returned by LMA to the LARMS Board at the Board's discretion.

(Continued)

## LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARY

## NOTES to Consolidated Financial Statements

The following schedule shows administrative fees earned by LMA from LMA's for the years ended December 31, 1999 and 1998.

	Adminis- trative Fee 1999	Net Interest earned position	Local adminis- trative Fees	Fee Earn 1999
<b>1999</b>				
Expenses incurred by LMA's:				
Workers'				
Compensation	\$ 183,853	1,183,853	3,383,818	4,651,524
Public Liability	361,824	1,883,577	3,144,881	546,283
Accident and Health	<u>21,830</u>	<u>        -</u>	<u>21,830</u>	<u>1,881</u>
	\$ 567,507	\$ 3,068,430	\$ 6,549,529	\$ 5,099,688

<b>1998</b>				
Expenses incurred by LMA's:				
Workers'				
Compensation	282,782	1,231,818	3,433,781	4,948,381
Public Liability	329,318	1,688,948	3,318,381	571,814
Accident and Health	<u>21,512</u>	<u>        -</u>	<u>21,512</u>	<u>1,820</u>
	\$ 633,612	\$ 2,920,766	\$ 6,773,674	\$ 5,521,915

In 1999, LMA's Board voted to refund \$1,183,853 of excess 1998 administrative fees to participating municipalities in the form of premium credits to be used in 1999. In addition, \$318,325 and \$214,848 was refunded to LMA's - Workers' Compensation Fund and LMA's - Public Liability Fund respectively, to be used for future reserve provisions.

In 1998, LMA's board resolved to refund \$282,782 and \$329,318 of 1998's excess administrative fees to LMA's - Workers' Compensation Fund and LMA's - Public Liability Fund, respectively, to be available to participants for 1997 premium payments. In addition, LMA's board also reimbursed \$238,488 to LMA's and \$428,028 to LMA's - Accident and Health Fund. Total 1998 refunds, reflected as PARTICIPANT FUNDING in the consolidated statements of activities, were \$1,358,333.

The department provides legal assistance for the various LMA Funds and is reimbursed by the Funds. The legal department earned \$243,763 and \$218,528 from LMA's during the years ended December 31, 1999 and 1998, respectively.

(Continued)

LOWELLAM MUNICIPAL ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

SMI has a contract with LAMMA to provide service agent services for a percentage of earned normal premium. Balances and amounts from Lowellsams with LAMMA during the years ended December 31 are as follows:

	1996	1995
Service fees earned	\$ 1,832,148	1,838,080
Percent of SMI's total service fees and commission	78.87%	78.19%
Balance due from LAMMA	\$ 159,329	159,000

SMI pays LAMMA administrative and accounting fees for services performed on its behalf. The total administrative and accounting fees were 180,000 for the years ended December 31, 1996 and 1995. In addition, beginning January 1, 1995, SMI assumes a five percent commission on reinsurance purchased by LAMMA. Commission income in 1996 and 1995 totaled \$12,188 and \$18,378, respectively. These amounts are eliminated in consolidation.

LAMMA provides accident and health insurance to SMI and SMG. The total consolidated insurance expense disclosed in employee benefits was \$149,378 and \$123,121 for the years ended December 31, 1996 and 1995, respectively.

(d) Notes Payable

Prior to December 31, 1990, SMI negotiated a closed collateral mortgage note with LAMMA to fund the construction of SMI's office complex. SMI incurred interest of \$108,978 and \$180,878 with respect to the note for the years ended December 31, 1996 and 1995, respectively. The note bears an interest rate equal to the average investment return yield on LAMMA - Public Liability Fund investments 18.89% and 8.43% at December 31, 1996 and 1995, respectively. SMI is currently making monthly payments of \$28,425 due the first day of each month based on a 360 month amortization. Collateral for the note is the building.

The principal balance due at December 31, 1996 was \$8,542,484 with principal payments scheduled as follows:

1997	\$ 88,128
1998	84,837
1999	180,110
2000	184,887
2001	118,477
2002 and after	<u>1,536,839</u>

(Cash Inland)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

(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, 1988 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

(c) Investments

Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government agency obligations and are held for long-term investment purposes. Investments are classified at cost or amortized cost unless there is a decline in value that is considered other than temporary, in which case the carrying amount is reduced to market value.

(d) Premium Income and Accrued Liabilities

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 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 reimbursements receivable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in definitions of legal liability, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future 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 indicators of past experience. Adjustments to claim liabilities are charged or credited to expense in the period in which they are made. The carrying amount of liabilities for claim losses and claim expenses is presented at the estimated claim amounts in the financial statements.

(Cont. Next)

LOUISIANA MUNICIPAL ASSOCIATION AND SUNDRIERS

Notes to Consolidated Financial Statements

All employees of LMA and SMI are eligible to participate in the Plan if they are under the age of 60 and are full-time employees. Employees who retire at or after age 60 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of the member's final compensation multiplied by his years of creditable service, and to accrued 100 percent of the member's final salary. Employees become fully vested on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The Plan also provides survivors' and disability benefits. Covered employees are required to contribute a percentage of their salary to the Plan (the rate is determined by the Plan and was fluctuated). Of the total \$,894 contribution required by the employee however, the employees contribute 50, while LMA and SMI contribute the remainder. The contribution requirement for LMA for the years ended December 31, 1994 and 1995 was \$108,010 and \$94,882, which consisted of \$60,170 and \$43,824 from LMA (including administrative cost), and \$47,840 and \$51,058 from employees, respectively. The contribution requirement for SMI for the years ended December 31, 1994 and 1995 was \$148,835 and \$148,021, which consisted of \$84,173 and \$77,852 from SMI, and \$64,662 and \$70,169 from employees, respectively.

The "pension benefit obligation" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The latest actuarial valuation of the Plan is as of June 30, 1994. In the valuation, the pension benefit obligation was not disclosed for LMA's portion of the pension benefit obligation. The valuation was made on the Actuarial Age Normal Method. Under this method, the amount of the actuarial present value of projected benefits over the actuarial accrued liability in respect to each member is allocated on a level basis over the member's future earnings. The portion of this actuarial present value allocated to his valuation year is called normal cost. The actuarial accrued liability is determined under the Projected Unit Credit Method. The balance of liabilities over assets is referred to as the unfunded actuarial accrued liability. According to this valuation method and current assumptions, Plan A has an unfunded actuarial accrued liability of \$38,087,380 as of June 30, 1994. LMA and SMI's contributions represented less than 1% of total contributions required of all participating entities of Plan A. The unfunded pension benefit obligation as of June 30, 1994 was \$32,046,750.

(7) Leases

During 1992, SMI entered into a five-year non-cancelable lease with LMA for the space it conducts its operations in from LMA for \$20,400 per month. The lease has a five-year renewal option exercisable by SMI if notice is given to LMA within thirty days of expiration. During the years ended December 31, 1994 and 1995, SMI paid LMA a total of \$288,000 for rent each year. In addition, SMI has agreed to act as the leasing agent for LMA's building. As part of this agreement, SMI is entitled to a fee equal to the revenues from rent collected from tenants of the building (including SMI's cost paid to LMA) less appropriate expenses

(Continued)



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

Notes to Financial Statements

December 31, 1994 and 1995

(1) Significant Accounting Policies

(a) Background and Financial Statements Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 482 of 1973 to provide a program of worker's compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes RS:2545-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The Accident and Health Fund's five Fund's general objectives are to identify, 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 non-underwriting policies have been established by the Board of the Fund after consultation with the Attorney. 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 the Fund.

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

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes RS:1349(a). LMRFA consists of individual risk management agencies pooling excess funds to provide reinsurance. Administration of the Agency is vested in the Executive Board of LMA. As of each December 31, 1994 and 1995, there were 74 and 75 participating municipalities, respectively.

The various LMRMA 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 the operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with SASB 13 and SASB 14.

(Continued)

UNITED STATES GOVERNMENT PRINTING OFFICE  
 Distribution Statement of Financial Results  
 NUMBER 10, 1980 AND 1981

TABLE 1

Account	1980		1981		Difference
	Actual Amount	Reported Amt.	Actual Amount	Reported Amt.	
<b>Total</b>	\$ 200,000	\$ 217,000	\$ 200,000	\$ 217,000	\$ 0
Costs of operations	100,000	100,000	100,000	100,000	0
Administrative	50,000	50,000	50,000	50,000	0
Marketing	50,000	50,000	50,000	50,000	0
Research and development	50,000	50,000	50,000	50,000	0
General and administrative	50,000	50,000	50,000	50,000	0
Other	50,000	50,000	50,000	50,000	0
<b>Total costs</b>	\$ 200,000	\$ 217,000	\$ 200,000	\$ 217,000	\$ 0
<b>Net income</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Operating expenses</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Administrative	0	0	0	0	0
Marketing	0	0	0	0	0
Research and development	0	0	0	0	0
General and administrative	0	0	0	0	0
Other	0	0	0	0	0
<b>Total operating expenses</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Net operating income</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Net operating loss</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total operating and net income</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

For complete information, see the report.

2025-26 BUDGET, APPROPRIATIONS AND REVENUES  
 COMMUNITY COLLEGE OF KANSAS  
 Year ending August 31, 2025 and 2026

	2025		2026	
	2025 REVENUE AVAILABLE	REVENUE AVAILABLE	2025 REVENUE AVAILABLE	REVENUE AVAILABLE
<b>Part I - Restricted fund(s)</b>				
<b>1. Community College Foundation</b>	1,875,100	1,875,100	1,875,100	1,875,100
<b>2. Student Activities</b>	25,000	25,000	25,000	25,000
<b>3. Student Services</b>	100,000	100,000	100,000	100,000
<b>4. Student Support</b>	100,000	100,000	100,000	100,000
<b>5. Student Loans</b>	200,000	200,000	200,000	200,000
<b>6. Other</b>	100,000	100,000	100,000	100,000
<b>Total</b>	2,500,100	2,500,100	2,500,100	2,500,100
<b>Total revenue and other support</b>	2,500,100	2,500,100	2,500,100	2,500,100
<b>Part II - General and administrative</b>				
<b>1. Salaries and administrative</b>	1,200,000	1,200,000	1,200,000	1,200,000
<b>2. Salaries and administrative</b>	1,200,000	1,200,000	1,200,000	1,200,000
<b>3. Salaries and administrative</b>	1,200,000	1,200,000	1,200,000	1,200,000
<b>Total</b>	3,600,100	3,600,100	3,600,100	3,600,100
<b>Total revenue and other support</b>	6,100,200	6,100,200	6,100,200	6,100,200
<b>Total revenue and other support</b>	6,100,200	6,100,200	6,100,200	6,100,200

Revenue increases in unrestricted fund(s) of 2026 are 25.00% over 2025.

The revenue and other support available to the community colleges' support.

COMMON STOCK, WARRANTS AND OPTIONS

Consolidating Schedule of Cash Flow  
For the Years Ended December 31, 1981 and 1982

COMMON STOCK, WARRANTS AND OPTIONS	1981			1982		
	Number of Shares Acquired	Market Price Per Share	Amount	Number of Shares Acquired	Market Price Per Share	Amount
Common stock	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000
Warrants	5,000	\$1.50	\$7,500	5,000	\$1.50	\$7,500
Options	15,000	\$1.25	\$18,750	15,000	\$1.25	\$18,750
Other	5,000	\$1.00	\$5,000	5,000	\$1.00	\$5,000
Total	35,000	\$1.16	\$41,250	35,000	\$1.16	\$41,250
Options exercised	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000
Options expired	5,000	\$1.50	\$7,500	5,000	\$1.50	\$7,500
Options cancelled	10,000	\$1.25	\$12,500	10,000	\$1.25	\$12,500
Options forfeited	5,000	\$1.00	\$5,000	5,000	\$1.00	\$5,000
Options repurchased	10,000	\$1.50	\$15,000	10,000	\$1.50	\$15,000
Options issued	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000
Options sold	5,000	\$1.50	\$7,500	5,000	\$1.50	\$7,500
Options redeemed	10,000	\$1.25	\$12,500	10,000	\$1.25	\$12,500
Options converted	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000
Options exercised	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000
Options expired	5,000	\$1.50	\$7,500	5,000	\$1.50	\$7,500
Options cancelled	10,000	\$1.25	\$12,500	10,000	\$1.25	\$12,500
Options forfeited	5,000	\$1.00	\$5,000	5,000	\$1.00	\$5,000
Options repurchased	10,000	\$1.50	\$15,000	10,000	\$1.50	\$15,000
Options issued	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000
Options sold	5,000	\$1.50	\$7,500	5,000	\$1.50	\$7,500
Options redeemed	10,000	\$1.25	\$12,500	10,000	\$1.25	\$12,500
Options converted	10,000	\$1.00	\$10,000	10,000	\$1.00	\$10,000

Cash flows provided by operations and financing activities are summarized in condensed cash flow statements in the accompanying notes to the consolidated financial statements. The condensed cash flow statements are prepared on the same basis as the consolidated financial statements. The condensed cash flow statements are prepared on the same basis as the consolidated financial statements.

The condensed cash flow statements are prepared on the same basis as the consolidated financial statements. The condensed cash flow statements are prepared on the same basis as the consolidated financial statements.

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UNITED STATES DEPARTMENT OF JUSTICE  
 FEDERAL BUREAU OF INVESTIGATION  
 MEMPHIS OFFICE

MEMPHIS OFFICE REPORT NUMBER 44-1987

100

DESCRIPTION	1968		1969		TOTAL	PERCENTAGE
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE		
Administrative	1,000	100	1,000	100	2,000	100
Advertising	1,000	100	1,000	100	2,000	100
Business	1,000	100	1,000	100	2,000	100
Construction	1,000	100	1,000	100	2,000	100
Education	1,000	100	1,000	100	2,000	100
Finance	1,000	100	1,000	100	2,000	100
Food	1,000	100	1,000	100	2,000	100
Health	1,000	100	1,000	100	2,000	100
Home	1,000	100	1,000	100	2,000	100
Insurance	1,000	100	1,000	100	2,000	100
Legal	1,000	100	1,000	100	2,000	100
Medical	1,000	100	1,000	100	2,000	100
Religion	1,000	100	1,000	100	2,000	100
Science	1,000	100	1,000	100	2,000	100
Social	1,000	100	1,000	100	2,000	100
Transportation	1,000	100	1,000	100	2,000	100
Utilities	1,000	100	1,000	100	2,000	100
Welfare	1,000	100	1,000	100	2,000	100
Other	1,000	100	1,000	100	2,000	100
<b>TOTAL</b>	<b>1,000</b>	<b>100</b>	<b>1,000</b>	<b>100</b>	<b>2,000</b>	<b>100</b>

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KPMG

The Global Leader

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**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND  
PUBLIC LIABILITY FUND  
WORKER'S COMPENSATION FUND**

**LOUISIANA MUNICIPAL RESERVE FUND AGENCY  
LMA - UNEMPLOYMENT COMPENSATION FUND**

---

**December 31, 1996**

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

Release Date: .....

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

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# KPMG Peat Marwick LLP

Francis Tower  
Suite 1700  
401 Poydras Street  
Baton Rouge, LA 70801-1000

## 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 to quasi-public organizations (the Fund) as of December 31, 1994 and 1993, and the related statements of revenues, expenses and changes in fund balance (deficit), 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. 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, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 26, 1997 on our consideration of the Fund's internal control structure and a report dated April 26, 1997 on its compliance with laws and regulations.

*KPMG Peat Marwick LLP*

April 26, 1997



LOUISIANA MUNICIPAL FIRE PROTECTION AGENCY  
ACCIDENT AND HEALTH FUND

Balance Sheet

December 31, 1996 and 1995

Assets	1996	1995
Cash (note 4)	\$ 1,228	-
Investments	1,949,569	2,527,623
Reinsurance receivable	204,784	57,422
Accounts receivable	87,327	112,713
Recover interest receivable	<u>18,128</u>	<u>2,878</u>
Total assets	\$ <u>2,288,036</u>	<u>2,878,736</u>
<b>Liabilities and Fund Balance (Deficit)</b>		
Liabilities:		
Unpaid claims reserve (note 3)	2,000,000	2,065,000
Unearned premium (note 2)	-	300,000
Due to affiliates (note 4)	88,832	38,888
Accounts payable	<u>59,291</u>	<u>82,222</u>
	2,147,923	2,486,110
Fund balance (deficit) (note 4)	<u>140,113</u>	<u>392,626</u>
	\$ <u>2,288,036</u>	<u>2,878,736</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
ACCIDENT AND HEALTH FUND

STATEMENTS of Revenues, Expenses and Changes in Fund Balance (Deficit)

PERIOD ENDED DECEMBER 31, 2008 and 2007

	2008	2007
Operating revenues:		
Premium income	\$ 8,290,818	8,778,380
Contributions (note 2 (b))	823,800	-
Interest income	<u>31,375</u>	<u>128,289</u>
Total operating revenues	<u>9,145,993</u>	<u>8,906,669</u>
Operating expenses:		
Administrative fees (note 2)	21,350	21,812
Claims expense (note 2)	8,211,527	8,677,188
Reinsurance premiums	407,882	488,818
Service agent fees (note 2)	488,377	488,383
Miscellaneous	<u>8,468</u>	<u>3,138</u>
Total operating expenses	<u>9,136,594</u>	<u>9,680,339</u>
Excess (deficiency) of revenues over expenses	93,399	(773,670)
Fund balance (deficit), beginning of year	<u>(12,288)</u>	<u>78,682</u>
Fund balance (deficit), end of year	\$ <u>81,111</u>	<u>(684,988)</u>

See accompanying notes to financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Statement of Cash Flow

Years ended December 31, 1996 and 1995

	1996	1995
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenses	\$ 348,848	1,412,493
Less adjustments for investment interest	(1,217,772)	(1,888,568)
	<u>1872,328</u>	<u>223,925</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operations:		
(Increase) decrease in receivables	148,483	(289,265)
Increase (decrease) in unpaid claims reserve	148,383	(238,524)
Increase in accrued premiums and due to affiliates	<u>62,548</u>	<u>456,104</u>
Total adjustments	<u>359,414</u>	<u>158,315</u>
Net cash provided by (used) in operating activities	<u>223,925</u>	<u>382,240</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(4,158,887)	(1,828,323)
Maturity of investments	948,823	2,838,583
Investment interest received		
Interest of 180,718 and 128,183 in 1996 and 1995, respectively	393,449	1,873,843
Principal payments from notes receivable	<u>64,421</u>	<u>293,521</u>
Net cash provided by (used) in investing activities	<u>(2,872,094)</u>	<u>2,377,124</u>
Net (decrease) increase in cash	<u>(2,124,880)</u>	<u>2,432,964</u>
Cash, beginning of year	<u>2,521,622</u>	<u>58,683</u>
Cash, end of year	\$ <u>406,742</u>	\$ <u>2,532,627</u>

See accompanying notes to financial statements.

## LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

## (V) Land, Building and Equipment

Land, building and equipment consist of the following as of December 31:

	1995	1994
Land	\$ 491,000	491,000
Buildings and leasehold improvements	4,766,485	4,766,485
Furniture and equipment	2,128,889	1,118,169
Vehicle	<u>121,423</u>	<u>128,088</u>
	6,507,797	6,503,742
Accumulated depreciation	<u>(1,832,810)</u>	<u>(1,822,028)</u>
	\$ 4,674,987	4,681,714

## (VI) Other Assets

Other assets consist of the following as of December 31:

	1995	1994
Deferred tax assets	\$ 49,122	49,122
Deferred compensation plan assets	201,899	144,885
Deposits and other	<u>360</u>	<u>360</u>
	\$ 251,381	204,367

## (VII) Income Taxes

LMA is incorporated as a non-profit organization and has been granted an exemption from income taxes under Section 501(c)(4) of the Internal Revenue Code.

EME as a taxable entity had a tax provided in 1995 and 1994 of \$4,496 and \$18,981, respectively. Timing differences between book and taxable income exist due to the liability for estimated future claims processing costs. A deferred tax asset has been recorded at December 31, 1994 and 1995. No tax liability has been recorded as a result of EME's net operating loss carryforwards.

## (VIII) Multi-employer Pension Plan

All of LMA and EME's full-time employees participate in Plan A of the Municipal Employee's Retirement System of Louisiana (the Plan), a multi-employer municipal employee retirement system. The payroll for LMA's employees covered by the Plan for the years ended December 31, 1995 and 1994 was \$434,827 and \$414,587, respectively. Payroll for EME's employees covered by the Plan for the years ended December 31, 1995 and 1994 was \$294,818 and \$241,812, respectively.

(Continued)

LOUISIANA INDUSTRIAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Statement of Revenues, Expenses and Changes in Fund Balance

Years ended December 31, 1994 and 1995

	1994	1995
<b>Revenues:</b>		
Premium income	\$ 7,438,799	\$ 8,075,190
Investment income (note 2)	2,128,433	2,202,009
Refund of administrative fees (2)(b)	—	322,022
<b>Total revenues</b>	<u>\$ 9,567,232</u>	<u>\$ 10,599,221</u>
<b>Expenses:</b>		
Claims expense (note 2)	2,782,944	2,975,489
Administrative fees (note 2)	2,286,817	2,422,761
Premiums expense (note 2)	745,074	807,519
Service agent fees (note 2)	821,021	824,734
Unpaid injury fund assessment	227,479	284,224
Louisiana workers' compensation assessment	59,989	133,929
Miscellaneous	29,252	52,220
<b>Total expenses</b>	<u>\$ 6,952,806</u>	<u>\$ 7,506,976</u>
<b>Excess of revenues over expenses</b>	2,614,426	3,092,245
<b>Fund balance, beginning of year</b>	<u>7,028,820</u>	<u>4,481,821</u>
<b>Fund balance, end of year</b>	<u>\$ 9,643,246</u>	<u>\$ 7,574,066</u>

See accompanying notes to financial statements.

# KPMG Peat Marwick LLP

Formerly known as  
Cohn & Wools  
400 Third Street  
Baton Rouge, LA 70801-0001

## Compliance Report Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Officers and Trustees  
Louisiana Municipal Association  
Employment Compensation Fund

We have audited the financial statements of Louisiana Municipal Association - Employment Compensation Fund as of and for the year ended December 31, 1994, and have issued our report thereon dated April 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Louisiana Municipal Association - Employment 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.

*KPMG Peat Marwick LLP*

April 25, 1997

LOUISIANA MEDICARE RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Notes to Financial Statements

16) Recent Accounting Transactions

In February 1995, HMO issued Statement No. 90, Risk Financing Outline, which is effective for periods beginning after June 18, 1994. This Statement requires the inclusion of specific incremental claim adjustment expenses on expenses and optimized recoveries in the determination of the liability for unpaid claims and modifies current disclosure requirements. The impact of these provisions are being reviewed by management of the Fund.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and claims expense (net of loss retained by reinsurers) incurred by the Fund as of the end of 1996 and as of the end of each of the last nine years.

	Fiscal Year Ended								
	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in thousands)								
Net premium and investment income	\$ 1,089	\$ 1,000	\$ 1,117	\$ 1,170	\$ 1,117	\$ 1,180	\$ 1,219	\$ 1,000	\$ 1,160
Operating costs (unallocated)	\$ 1,422	\$ 1,316	\$ 1,313	\$ 1,347	\$ 1,311	\$ 1,361	\$ 1,371	\$ 1,303	\$ 1,313
Estimated incurred claims and expenses, end of policy year	\$ 1,343	\$ 1,243	\$ 1,271	\$ 1,300	\$ 1,300	\$ 1,361	\$ 1,414	\$ 1,287	\$ 1,382
paid (cumulative as of:									
End of policy year	\$ 400	\$ 463	\$ 528	\$ 600	\$ 677	\$ 715	\$ 778	\$ 842	\$ 904
One year later	-	\$ 1,016	\$ 1,039	\$ 1,100	\$ 1,049	\$ 984	\$ 1,081	\$ 1,110	\$ 1,058
Two years later	-	-	\$ 1,483	\$ 1,319	\$ 1,068	\$ 807	\$ 604	\$ 500	\$ 480
Three years later	-	-	-	\$ 1,676	\$ 1,397	\$ 1,113	\$ 884	\$ 674	\$ 568
Four years later	-	-	-	-	\$ 1,530	\$ 1,181	\$ 1,000	\$ 840	\$ 654
Five years later	-	-	-	-	-	\$ 1,007	\$ 844	\$ 658	\$ 512
Six years later	-	-	-	-	-	-	\$ 1,100	\$ 838	\$ 638
Seven years later	-	-	-	-	-	-	-	\$ 1,030	\$ 772
Eight years later	-	-	-	-	-	-	-	-	\$ 1,000
Re-estimated incurred claims and claims expense:									
End of policy year	\$ 4,188	\$ 4,143	\$ 3,978	\$ 3,836	\$ 4,000	\$ 3,843	\$ 3,814	\$ 3,766	\$ 3,782
One year later	-	\$ 4,243	\$ 3,978	\$ 3,836	\$ 4,037	\$ 3,863	\$ 3,814	\$ 3,788	\$ 3,813
Two years later	-	-	\$ 3,974	\$ 3,836	\$ 4,037	\$ 3,877	\$ 3,814	\$ 3,690	\$ 3,630
Three years later	-	-	-	\$ 3,938	\$ 4,037	\$ 3,877	\$ 3,808	\$ 3,604	\$ 3,529
Four years later	-	-	-	-	\$ 4,037	\$ 3,877	\$ 3,808	\$ 3,604	\$ 3,428
Five years later	-	-	-	-	-	\$ 3,877	\$ 3,808	\$ 3,604	\$ 3,404
Six years later	-	-	-	-	-	-	\$ 3,018	\$ 3,604	\$ 3,524
Seven years later	-	-	-	-	-	-	-	\$ 3,604	\$ 3,524
Eight years later	-	-	-	-	-	-	-	-	\$ 3,604
Increase in estimated incurred claims and expenses from end of policy year	\$ -	\$ -	\$ -	\$ -	\$ 18	\$ 24	\$ 25	\$ 5	\$ 278



Florida Street  
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401 Florida Street  
Baton Rouge, LA 70801-2800

**REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE  
WITH GOVERNMENT AUDITING 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, 1998, and have issued our report thereon dated April 23, 1999.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of Louisiana Municipal Risk Management Agency - Public Liability Fund is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that conditions may become inappropriate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Louisiana Municipal Risk Management Agency - Public Liability Fund for the year ended December 31, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of various policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

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

*KPMG Fort Monroe LLP*

April 24, 2003

LOUISIANA MUNICIPAL FIRE RETIREMENT BOARD  
MEMBERS' CONTRIBUTION FUND

Financial Statements and Schedule

December 31, 1996 and 1995

With Independent Auditor's Report Thereon

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
PUBLIC LIABILITY FUND

Balance Sheet

December 31, 2006 and 2005

Assets	2006	2005
Cash (note 4)	\$ 400,709	2,521,627
Investments (note 4)	24,490,114	22,348,262
Receivables (note 4)	93,510	273,253
Accounts receivable	120,000	97,768
Accrued interest receivable	244,809	122,613
Note receivable (note 2)	<u>2,861,424</u>	<u>2,488,820</u>
	<b>\$ 27,781,424</b>	<b>28,863,483</b>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Unpaid claims liability (note 3)	9,413,767	9,047,464
Unearned premium (note 2)	1,843,880	1,804,729
Due to affiliates (note 3)	1,241,210	1,323,481
Accrued expenses	<u>5,487</u>	<u>5,189</u>
	12,604,444	12,480,863
Fund balance	<u>15,176,980</u>	<u>16,382,620</u>
	<b>\$ 27,781,424</b>	<b>28,863,483</b>

See accompanying notes to financial statements.

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

THIS REPORT IS ISSUED FOR THE INFORMATION OF THE LOUISIANA RETAILERS' ASSOCIATION - EMPLOYMENT COOPERATION 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 Peat Marwick LLP*

April 20, 1987

LEWISTOWN MUNICIPAL FIRE MANAGEMENT AGENCY  
 FIREMEN'S COMPENSATION FUND

Balance Sheets

December 31, 1996 and 1995

Assets	1996	1995
Investments (note 4)	\$ 19,824,164	18,828,830
Accounts receivable	1,817,344	2,004,274
Due from insurance (note 3)	289,844	824,808
Accrued interest receivable	<u>126,257</u>	<u>124,400</u>
	\$ <u>22,057,609</u>	<u>21,782,312</u>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Unpaid claims liability (note 3)	7,356,800	8,761,880
Due to beneficiaries (note 3)	1,947,880	2,384,320
Unearned premium (note 3)	1,221,743	2,225,499
Accrued expenses	<u>361,874</u>	<u>673,850</u>
	8,908,297	13,745,549
Fund balance	<u>13,149,312</u>	<u>8,036,763</u>
	\$ <u>22,057,609</u>	<u>21,782,312</u>

See accompanying notes to financial statements.

Peat Marwick  
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401 Poydras Street  
Baton Rouge, LA 70801-1700

**Compliance Report Based on Audit of Financial Statements  
Performed in Accordance with Government Auditing 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, 1996, and have issued our report thereon dated April 22, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations and contracts applicable to Louisiana Municipal Risk Management Agency - Public Liability Fund is the responsibility of Louisiana Municipal Risk Management Agency - Public Liability Fund's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations and contracts, however, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

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

*KPMG Peat Marwick LLP*

April 22, 1997

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
 MEMBERS' CONTRIBUTION FUND

STATEMENTS OF CASH FLOWS

Years ended December 31, 1988 and 1989

	1988	1989
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenses	\$ 3,870,170	3,564,386
Less adjustment for investment interest	(1,320,880)	(2,321,820)
	2,549,290	1,242,566
<b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operations:</b>		
Decrease (increase) in receivables	870,274	(668,477)
Increase in unpaid claims reserve, net of reinsurance receivable	(1,488,000)	(144,908)
Increase (decrease) in accrued payable, accrued expenses, accrued premiums and due to affiliates	(328,771)	381,828
<b>Total adjustments</b>	(1,346,497)	(431,557)
<b>Net cash provided by operating activities</b>	1,202,793	810,999
<b>Cash flows from investing activities:</b>		
Investment interest received, net of discounts earned on investments of \$158,168 and \$162,748 in 1988 and 1989, respectively	1,048,888	1,304,021
Purchase of investments	(2,577,000)	(4,078,070)
Sale of investments	1,680,872	3,922,268
<b>Net cash used in investing activities</b>	(1,448,240)	(1,448,240)
<b>Net change in cash</b>	-	(168,880)
Cash, beginning of year	-	168,880
Cash, end of year	\$ -	-

See accompanying notes to financial statements.



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

NOTE to FINANCIAL STATEMENTS

proceedments issued on or before November 30, 1989 in accounting for the operations unless those proceedings conflict with or contradict such proceedings.

103 Investments

Investments include certificates of deposit, money market accounts, repurchase agreements and U.S. government agency obligations and are held for long-term investment purposes. U.S. government agency obligations are stated at amortized cost unless there is a decline in value that is considered other than temporary, in which case the carrying amount is reduced to market value.

104 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.

105 Unpaid Claims Liability

The Fund establishes claim 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 reimbursement recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in practices of legal liability, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claim liabilities are measured 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 reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim 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 reserves have been disclosed at \$.00 and \$.00 at December 31, 1989 and 1990, respectively.

106 Statement of Cash Flows

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

(CONTINUED)

LOUISIANA MUNICIPAL FIRE MANAGEMENT AGENCY  
 MEMBERS' CONTRIBUTION FUND

Notes to Financial Statements

	1994	1993
Due to affiliates:		
LMA	\$ 1,823,818	1,181,599
SMI	87,833	84,784
LAFMA	<u>85,555</u>	<u>78,587</u>
	\$ <u>1,997,206</u>	<u>1,344,970</u>
MMFA insurance receivable	\$ <u>289,814</u>	<u>254,818</u>

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

(b) Revenue Retention

During 1994, LMA's Board decided to rebate \$781,528 of the 1993 earned administrative fees back to the municipalities in the form of credits towards their 1995 earned normal premium payments. The \$781,528 was paid to the Fund prior to December 31, 1994 and is included in unearned premiums as of December 31, 1994; a portion of this amount was used by the municipalities and is included in earned premiums in the year ended December 31, 1995.

During 1993, LMA's Board decided to rebate \$430,128 of the 1994 earned administrative fees back to the Fund; of the total amount, \$215,095 is available to the municipalities in the form of credits toward their 1995 earned normal premium payments and is included in unearned premiums as of December 31, 1993. The remaining \$215,033 is to be retained by the Fund to offset future claim losses; this amount is included in revenue in 1995.

During 1994, LMA's Board decided to rebate \$348,478 of the 1993 earned administrative fees back to the Fund; of the cumulative unearned premium amount, \$214,573 was used by municipalities in the form of credits toward their 1994 earned normal premium payments; outstanding credits of \$133,905 are available to municipalities for their 1997 premium payments and are included in unearned premiums as of December 31, 1994.

Continued

LOUISIANA MUNICIPAL FIRE MANAGEMENT ASSOCIATION  
MEMBERS' CONTRIBUTION FUND

Notes to Financial Statements

03) Claims Reserve and Unpaid Claims Reserve

The following represents changes in the aggregate liabilities for the Fund for the years ended December 31, 1994 and 1993:

	1994	1993
	Amounts in thousands	
Unpaid claims and claim adjustment expenses at beginning of year - gross	\$ 21,848	22,385
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	3,143	6,593
Increase (decrease) in provision for insured events of prior years	(2,182)	—
Total incurred claims and claim adjustment expense	—	—
Total incurred claims and claim adjustment expense	991	6,593
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	781	1,087
Claims and claim adjustment expenses attributable to insured events of prior years	(3,222)	(3,222)
Total payments	(2,441)	(2,135)
Total unpaid claims and claim adjustment expenses at end of year	18,938	21,848
Less discounting at 5.0% and 4.8% for 1994 and 1993	(4,004)	(4,241)
Less claims covered by reinsurer (net of discount)	(8,782)	(8,782)
Unpaid claims reserve	\$ 5,152	\$ 8,782

In addition to the unpaid claims covered by the reinsurers, there are \$228,448 and \$222,880 (of which \$728,288 is due from 1993) of paid claims which are recoverable from the reinsurers at December 31, 1994 and 1993, respectively. Settled claims have not exceeded insurance coverage.

04) 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 Fund's shall be limited to:

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
MEMBERS' CONTRIBUTION FUND

Notes to Financial Statements

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 \$440,000 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 state revised provisions during the period ended December 31, 1994 and 1995.

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 Depository Insurance. "Uninsured" deposits are those balances in excess of Federal depository insurance. The Fund had the insured deposits in various money market accounts at December 31, 1994 and 1995.

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 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 at year-end. Category 1 securities are held by the Fund in its name 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.

(Continued)

AMERICAN NATIONAL RISK MANAGEMENT AGENCY  
MEMBERS' COMPENSATION FUND

Notes to Financial Statements

The unrealized cost, unrealized gains, unrealized losses and market value for investments by security type at December 31, 1998 and 1999 are as follows:

	Unrealized cost	Unrealized gains	Unrealized losses	Market value	Category
<b>December 31, 1998:</b>					
Certificates of deposit					
Money market accounts	\$ 380,000	-	-	380,000	-
U.S. Government Agency obligations	1,891,450	-	-	1,891,450	-
U.S. Treasury securities	1,391,500	21,825	144,261	1,269,064	1
	<u>\$ 3,062,950</u>	<u>\$ 21,825</u>	<u>\$ 144,261</u>	<u>\$ 2,940,514</u>	
<b>December 31, 1999:</b>					
Certificates of deposit					
Money market accounts	380,000	-	-	380,000	-
U.S. Government Agency obligations	1,891,450	-	-	1,891,450	-
U.S. Treasury securities	1,391,400	23,400	144,261	1,270,539	1
	<u>\$ 3,062,850</u>	<u>\$ 23,400</u>	<u>\$ 144,261</u>	<u>\$ 2,941,989</u>	

Included in investment balances as of December 31, 1998 and 1999 are derivative investments. As of December 31, 1998, these investments included U.S. Treasury strips, collateralized mortgage obligations, and floating rate securities with a cost of \$4,821,813 and a market value of \$4,318,316. 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.

(Continued)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Notes to Financial Statements

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

	1998		1999	
	Carrying amount	Market value	Carrying amount	Market value
Due in one year	\$ 3,513,978	3,514,305	4,953,085	4,954,094
Due after one year through five years	4,547,733	4,323,444	3,344,713	3,280,883
Due after five years through ten years	3,232,188	3,973,291	3,232,334	3,170,487
Due after ten years	<u>4,828,278</u>	<u>4,065,362</u>	<u>4,800,888</u>	<u>4,322,283</u>
	\$ <u>16,122,177</u>	<u>15,876,392</u>	<u>17,727,000</u>	<u>15,727,747</u>

16) Reinsurance Policy Coverage

During the periods ended December 31, 1998 and 1999, LMRFA provided reinsurance to the Fund with the following aggregate coverage:

- 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 \$100,000

The Fund and LMRFA entered a cooperative program for group funding and risk management of public liability, workers' compensation and accident and health claims of participating Louisiana municipalities. As December 31, 1998 and 1999, there were 202 and 217 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 LMRFA for the years ended December 31, 1998 and 1999.

	ASSETS	
	1998	1999
Cash	\$ 87,078	380,380
Receivable interest receivable	318,723	370,278
Due from affiliates	443,447	388,203
Investments	<u>25,828,848</u>	<u>23,827,203</u>
	\$ <u>26,678,196</u>	<u>24,966,064</u>

(Cont. Next)

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY  
WORKERS' COMPENSATION FUND

Notes to Financial Statements

Liabilities and Fund Balance

	1996	1995
<b>Liabilities:</b>		
Unpaid claims reserve	\$ 13,858,000	15,195,100
Insurance payable	839,000	174,300
Unearned premium	45,845	48,883
Accrued expenses	<u>4,000</u>	<u>300</u>
	14,806,904	15,517,199
<b>Fund balance</b>	<b>13,810,128</b>	<b>8,889,883</b>
	<b>\$ 28,617,032</b>	<b>24,407,082</b>

Effective January 1, 1996, LMRFA purchased reinsurance for workers' compensation claims from a third party reinsurer. The third party provided reinsurance to LMRFA with the following aggregate coverage:

- 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 \$450,000

The third party reinsurer is only responsible for those claims incurred during the year ended December 31, 1996. LMRFA is the reinsurer for 100% of the claims incurred during the years prior to January 1, 1996.

17) Special Auditability Requirements

In February 1994, SAGS issued Statement No. 20, Risk Financing Control, which is effective for periods beginning after June 15, 1994. This statement requires the inclusion of specific incremental claim adjustment expenditures/expenses and estimated recoveries in the determination of the liability for unpaid claims and modifies current disclosure requirements. The impact of these pronouncements is being reviewed by management of the Fund.

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Independent Auditors' Report

Officers and Directors  
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, 1996 and 1995, and the related statements of revenues, expenses and changes in fund balances, 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. 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 - Workers' Compensation Fund as of December 31, 1996 and 1995, and the results of its operations and the cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 23, 1997 on our consideration of the Fund's internal control structure and a report dated April 23, 1997 on its compliance with laws and regulations.

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*

April 23, 1997



LOSING MUNICIPAL RISK MANAGEMENT AGENT  
MEMBER'S COMPENSATION FUND

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