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Louisiana Housing Council Authority  
Group Self Insurance Fund  
New Orleans, Louisiana  
September 30, 1998

under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 8-12-99

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December 31, 1998

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## Independent Auditor's Report

Insurance Committee  
Louisiana Housing Council, Inc.  
New Orleans, Louisiana

We have audited the accompanying combining balance sheets of the

### Louisiana Housing Council Authorities Group Self Insurance Funds New Orleans, Louisiana

as of September 30, 1998 and September 30, 1997, and the related combining statements of revenues, expenses and changes in fund balances and cash flows for the years then ended. These combining financial statements are the responsibility of the management of the Louisiana Housing Council Authorities Group Self Insurance Funds. Our responsibility is to express an opinion on these combining financial statements based on our audits.

We conducted our audits 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 combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combining financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 Issues", requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and

- For additional steps of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

The Louisiana Housing Council Authorities Group Self Insurance Funds has resisted such disclosures. We do not provide assurance that the Louisiana Housing Council Authorities Group Self Insurance Funds is or will be year 2000 ready, that the Louisiana Housing Council Authorities Group Self Insurance Funds' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Louisiana Housing Council Authorities Group Self Insurance Funds does business will be year 2000 ready.

In our opinion, except for the effect on the September 30, 1998 financial statements of the matter discussed in the preceding paragraph, the combining financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Housing Council Authorities Group Self Insurance Funds as of September 30, 1998 and September 30, 1997, and the results of its operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combining financial statements taken as a whole. The required supplementary information included in the Schedule 1-10-year Claims Development Information is presented for purposes of additional analysis and is not a required part of the combining financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the combining financial statements and in our opinion, is fairly stated in all material respects in relation to the combining financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 18, 1998 on our consideration of the Louisiana Housing Council Authorities Group Self Insurance Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yours truly,



**Louisiana Housing Council Authorities Group Self Insurance Funds**  
**Combining Balance Sheet**  
**September 30, 1998 and September 30, 1997**

	1998	1997		1998	1997
	Total	Total		Total	Total
<b>Assets</b>			<b>Due &amp; Extended</b>		
Cash	\$1,116	\$16,525	Carrying Charge	\$61,479	\$1,388
Investments	293,495	348,134	Liability, Public	1,739,798	1,287,952
Premiums receivable	95,720	14,328	Other Liability	121,519	71,512
Prepaid expenses	5,000	31,476		1,481,817	1,566,478
Other receivables	14,195	—		121,519	181,138
LAPC Trust Fund	—	—		14,195	14,195
Accrued interest	—	1,424		—	—
	—	—		1,528	—
<b>Total assets</b>	<b>394,326</b>	<b>497,452</b>		<b>2,860,531</b>	<b>3,019,681</b>
<b>Liabilities and Fund Equity</b>					
Accounts payable	\$112	—		91,118	93,240
Claims reserve	294,482	247,238		471,898	377,523
Deposit reserve	1,061	—		1,081	12,581
Unearned premiums	—	—		1,466,147	1,266,478
Policy provisions payable	—	—		48,289	4,481
Residuals for future periods	—	—		20,298	39,238
Commissions payable	—	—		1,128	—
	—	—		—	—
<b>Total liabilities</b>	<b>296,663</b>	<b>347,238</b>		<b>2,079,662</b>	<b>2,133,661</b>
<b>Fund Equity</b>	<b>97,663</b>	<b>150,214</b>		<b>780,869</b>	<b>886,020</b>
	—	—		—	—
<b>Total liabilities and fund equity</b>	<b>394,326</b>	<b>497,452</b>		<b>2,860,531</b>	<b>3,019,681</b>

The accompanying notes are an integral part of these statements.

**Lombard Hearing Council Authority Group Self Insurance Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance**  
**Years Ended September 30, 1998 and September 30, 1997**

	Workers Compensation Fund	Health Fund	Long Term Disability Fund	Life Insurance Fund	Pension Fund	Fine & Criminal Conviction, Control Liability, Public Defendant Liability	1998 \$000	1997 \$000
<b>Revenues</b>								
Premiums earned	\$770,777	\$1,032,146	\$15,799	\$65,841	\$609,000	\$2,909,994	\$1,679,119	\$1,919,844
Premiums ceded	(351,420)	(1,088,883)	—	—	—	(123,268)	(123,268)	(123,268)
Net premiums earned	419,357	1,493,729	15,799	65,841	609,000	2,786,726	1,555,851	1,796,576
Investment income	10,482	26,753	—	—	—	2,000,000	40,000	71,000
Net appreciation (depreciation) in fair value of investments	8,880	11,421	—	—	—	—	31,000	(1,000)
Other	(2,458)	(11,828)	(1,428)	—	—	(8,128)	(21,113)	8,100
<b>Total Revenues</b>	294,859	1,517,052	14,371	65,841	609,000	2,778,618	1,584,738	1,882,476
<b>Expenses</b>								
Claims expenses	(711,110)	(1,449,614)	—	—	—	(1,624,197)	(1,624,197)	(1,508,494)
Loss recovery proceeds	—	(88,280)	—	—	—	(103,223)	(103,223)	(111,453)
Net income/claims expense	(711,110)	(1,537,894)	—	—	—	(1,727,420)	(1,727,420)	(1,619,947)
Administrative fees	32,799	11,894	1,428	—	1,141	48,214	48,214	54,111
Claims administration fees	—	41,268	—	—	—	63,948	63,948	50,966
Investment publicain purchased from paid to LHC	—	—	15,799	65,841	873,947	2,909,984	1,677,180	1,674,719
Other	—	(3,824)	—	—	—	(11,884)	(11,884)	(12,157)
<b>Total Expenses</b>	278,311	1,467,268	17,227	65,841	883,947	2,968,133	1,311,728	1,351,184
<b>Net Income (Loss)</b>	16,548	49,784	(2,856)	—	(274,947)	(189,515)	(723,990)	(468,708)
<b>Fund Balance, beginning of year, including prior period adjustment</b>	261,480	319,674	—	—	—	—	890,127	860,077
<b>Plus (minus) Adjustment</b>	—	—	—	—	—	—	—	(201,820)
<b>Fund Balance, beginning of year after prior period adjustment</b>	261,480	319,674	—	—	—	—	890,127	658,257
<b>Fund Balance, end of year</b>	278,028	369,458	—	—	—	—	872,658	196,549

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Affordable Group Self Insurance Funds  
 Contributing Statement of Cash Flows  
 Years Ended September 30, 1998 and September 30, 1997

	Workers Compensation Fund		Health Fund		Long-Term Disability Fund		Life Insurance Fund		Fidelity Fund		Fire & Extended Coverage Fund		1997 Totals	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash Flows from operating activities														
Net income (loss)	538,923	(511,402)												27,521
Adjustments to reconcile net income to (decrease) provided funds by operations														
Non-supplying depreciation in the value of investments														
(Decrease) Increase in Accounts Receivable	(14,000)	(14,000)												
Accrued investment income	89,400	(14,115)												
Prepaid expenses	1,488	1,487												
1997 Loan Fund	11,144													
Increase (Decrease) in prepaid status liability	31,295	64,474												
Deposits	(104,000)													
Unearned premium	4,752													
Accounts payable														
Prepayments payable														
Net cash provided/used in operating activities	50,447	(175,738)												88,179
Cash Flows from Investing Activities														
Proceeds from sale and maturity of investments	1,048,209	1,008,120												
Purchase of investment securities	(2,280,210)	(1,753,656)												
Net cash provided/used in investing activities	(1,232,001)	(745,536)												
Net Increase (Decrease) in Cash	(7,400)	14,111												
Cash, beginning of year														
Cash, end of year	1,411	14,111												

The accompanying notes are an integral part of these statements.

**Louisiana Housing Council Authorities Group Self-Insurance Funds**  
**Notes to Financial Statements**  
**September 30, 1998**

**Background Information on Public Entity Risk Pools**

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

In November, 1988, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

In February, 1996, the GASB issued Statement No. 30 "Risk Financing Overview, An Amendment of GASB Statement No. 10".

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

**Risk-sharing pool**

An arrangement by which governments pool risks and funds and share in the control of losses.

**Insurance-purchasing pool**

An arrangement by which governments pool funds or resources to purchase commercial insurance products.

**Banking pool**

An arrangement by which monies are made available for pool members in the event of loss on a loan basis.

**Claims-servicing or account pool**

An arrangement by which a pool manager operates accounts for each pool member from which the losses of that member are paid.

A pool could serve one or several of these functions. The Workers Compensation Fund and the Health Insurance Fund are both a risk-sharing pool and an insurance-purchasing pool. All other insurance funds are only insurance-purchasing pools. In 1981, the Louisiana Legislature enacted Louisiana Revised Statute (LRS) 50:1351 through 50:1360, the "Local Housing Authority Self-Insurance Act of 1981." LRS 50:1354



**Louisiana Housing Council Authorities Group Self Insurance Funds**  
**Notes to Financial Statements**  
**September 30, 1998**

**Background information on Public Entity Risk Pools (Continued)**

authorizes the Louisiana Housing Council, Inc. (LHC) to administer an interlocal risk management agency, with the insurance committee of the LHC constituting the board of trustees for such agency. LHC is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

**Background on the Workers' Compensation Fund**

The Workers Compensation Fund of the Louisiana Housing Council Authorities Group Self Insurance Funds (The Fund) is a public entity risk pool as defined by Statement No. 10 of the Governmental Accounting Standards Board (GASB). It is open to all housing authorities which are members of the Louisiana Housing Council, Inc. The Fund's general objectives are to formulate, develop, and administer, on behalf of the member housing authorities, a program of interlocal risk management to obtain lower costs for that coverage.

The risk of loss is transferred to The Fund from the participating housing authorities. If the assets of The Fund were to be exhausted, participants would only be responsible for their respective outstanding claims. The Fund was established on September 12, 1994. Seventy-one housing authorities were participating in The Fund as of September 30, 1998. Participation is voluntary and a participant may withdraw from The Fund by giving proper notice.

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

Brennan, Bush & Hunt (BB&H), A Division of Arthur J. Gallagher & Co. of La., Inc. is a third-party service agent hired by The Fund to perform the administrative functions such as premium billing and record keeping. Louisiana Workers' Compensation Corporation (LWCC) provided claims processing for The Fund. The Fund has established a "Loss Deposit" account with LWCC in the amount of \$30,000.

**Background on the Health Fund**

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

Forty-one housing authorities were participating in The Fund as of September 30, 1998. Participation is voluntary and a participant may withdraw from The Fund by giving proper notice.

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

**Louisiana Housing Council Authority Group Self Insurance Funds**  
**Notes to Financial Statements**  
**September 30, 1998**

**Background on the Health Fund (Continued)**

Brunard, Bush & Hunt (BB&H), a division of Arthur J. Orlingher & Co. of La., Inc., is a third-party service agent hired by The Fund to perform the administrative functions such as premium billing and record keeping. American Group Administrators, Inc. of Hendersonville, Tennessee performs the claims processing for the Health Fund.

**Background on Other Funds**

Unlike the workers compensation and health funds, the long-term disability, life insurance, pension, and fire and extended-coverage and general liability funds are only insurance-purchasing funds. Participation in these funds is open to all housing authorities which are members of the Louisiana Housing Council, Inc. These housing authorities join together to acquire commercial insurance coverage at lowest costs. Participation is voluntary and a participant may withdraw from The Fund by giving proper notice.

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

BB&H is a third-party agent hired by The Fund to perform the administrative functions such as premium billing and record keeping.

**Note 1-Summary of Significant Accounting Policies**

**A. Basis of Accounting**

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

**B. Cash and Cash Equivalents**

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

**C. Method Used to Value Investments**

Investments are reported at fair value. Fair value is based upon the market value on the last business day of the fiscal year. Purchases and sales of securities are reflected on the trade date. Interest income is recorded as earned on an accrual basis.

**D. Premiums Income and Accounts Receivable**

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

Louisiana Housing Council Authority (Group Self-Insurance Funds)  
Notes to Financial Statements  
September 30, 1988

Note 1-Summary of Significant Accounting Policies (Continued)

B. Unpaid Claims Liability:

(1) Workers' Compensation Fund and Health Fund

These Funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of amounts recoverable on unpaid claims are deducted from the liability from unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense are projected at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

(2) All Other Insurance Funds

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

F. Reinsurance

The Funds use reinsurance agreements to reduce 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 individual fund as direct insurer of the risks reinsured. Funds do not report reinsurance risks as liabilities unless it is probable that these costs will not be covered by reinsurers. All of the reinsurance activity of the Workers' Compensation Fund was associated with a single reinsurer and the reinsurance activity of the Health Fund was associated with another reinsurer.

G. Income Taxes

The Funds are exempt from federal income taxes under Sections 7301 and 115 (1) of the Internal Revenue Code.

**Louisiana Housing Council Authority Group Self Insurance Funds**  
**Notes to Financial Statements**  
**September 30, 1998**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**11. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Note 2-Unpaid Claims Liabilities**

As discussed in Note 1, The Workers' Compensation Fund and the Health Fund establish a liability for both reported and unreported insured events, which include estimates of both future payments of losses and related claims adjustment expenses, both allocated and unallocated.

The following represents changes in these aggregate liabilities during 1998:

	<u>1998</u>		<u>1997</u>	
	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Workers Compensation Fund</u>	<u>Health Fund</u>
Unpaid claims and claims adjustment expenses at beginning of period	\$173,800	\$304,625	\$204,317	\$195,830
Incurred claims and claims adjustment expenses of the current year/period increases (decreases) in provision for insured events of prior years	171,671	1,440,348	193,473	1,092,803
	(1,462)	(80,358)	(31,333)	(16,388)
<b>Total incurred claims and claims adjustment expense</b>	<b>172,139</b>	<b>1,359,990</b>	<b>162,140</b>	<b>1,076,215</b>
Payments for claims and claims adjustment expenses attributable to insured events of current year	51,314	1,371,644	51,266	888,178
Insured events of prior years	92,421	16,635	121,888	179,242
<b>Total payments</b>	<b>143,735</b>	<b>1,388,279</b>	<b>173,154</b>	<b>1,067,420</b>
<b>Total unpaid claims and claims adjustment expense at year end</b>	<b>264,528</b>	<b>287,288</b>	<b>173,800</b>	<b>264,625</b>

**Louisiana Housing Council Authority Group Self Insurance Funds**  
**Notes to Financial Statements**  
**September 30, 1998**

**Note 3-Cash and Cash Equivalents, and Investments**

**A. Cash and Cash Equivalents**

**(1) Workers' Compensation Fund**

At September 30, 1998 and September 30, 1997, the carrying amount of The Funds' cash and cash equivalents was \$1,518 and \$1,080 respectively, and the bank balance was \$1,500 and \$5,600 respectively, which was covered by federal depository insurance.

**(2) Health Fund**

At September 30, 1998 and September 30, 1997, the carrying amount of The Funds' cash and cash equivalents was \$18,551 and \$0 respectively, and the bank balance was \$95,694 and \$68,634 respectively, which was covered by federal deposit insurance.

**B. Investments**

The investments of The Fund are held by custodial banks, or their intermediaries in The Funds' name. The Funds' investments are categorized below to give an indication of the level of risk assumed by the entity. Category 1 includes investments that are insured or registered or for which the securities are held by The Fund or its agent in The Funds' name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in The Funds' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in The Funds' name. The categorization for the investments held at September 30, 1998 and 1997 was:

	1998			1997				
	Category of Risk			Carrying Amount	Category of Risk			Carrying Amount
	1	2	3		1	2	3	
<b>Workers Compensation Fund</b>								
<b>Investments</b>								
Money Market	\$181,385			\$181,385	\$66,322		\$66,322	
Treasury bills	488,220			488,220	371,978		371,978	
Treasury notes	-----			-----	180,589		180,589	
<b>Total Investments</b>	<b>\$669,605</b>			<b>\$669,605</b>	<b>\$618,889</b>		<b>\$618,889</b>	

**Louisiana Housing Council Authority Group Self Insurance Funds**  
**Notes to Financial Statements**  
**September 30, 1998**

**Note 3-Cash and Cash Equivalents, and Investments (Continued)**

**B. Investments (Continued)**

	1998				1997			
	Category of Risk			Carrying	Category of Risk			Carrying
	1	2	3	Amount	1	2	3	Amount
<b>Health Fund</b>								
<b>Investments</b>								
Money Market				\$89,060				\$365,504
Certificates of deposit				190,367				196,502
Treasury bills				247,931				47,882
Treasury notes				50,047				180,198
Mortgage backed securities				30,724				38,952
<b>Total investments</b>				<b>568,169</b>				<b>749,038</b>

**Note 4-Reinsurance Policy Coverage**

**A. Workers' Compensation Fund**

During the period ended September 30, 1998, The Fund obtained reinsurance with maximum aggregate excess coverage of \$2,000,000 and maximum specific excess coverage of \$2,000,000. The self insured retention is \$100,000 for each event and \$225,000 in aggregate. Premiums ceded to reinsurers during the fiscal year ending September 30, 1998 and 1997 were \$361,876 and \$264,553, respectively and no amount was deducted from claims. All of the reinsurance activity was associated with a single reinsurer. There are no anticipated recoverable amounts at September 30, 1998.

**B. Health Fund**

During the period ended September 30, 1998, The Fund obtained reinsurance with each participant having a maximum coverage of \$1,000,000 lifetime. The self-insured retention is \$25,000 for each individual. Premiums ceded to reinsurers during the fiscal year ending September 30, 1998 and 1997 were \$166,399 and \$163,701, respectively and the amounts deducted from claims were \$99,584 and \$81,438, respectively. All of the reinsurance activity was associated with a single reinsurer. Anticipated recoverable amounts as of September 30, 1998 was \$21,479. There were no anticipated recoverable amounts at September 30, 1997.

**Note 5- Prior Period Adjustment**

Fund Balance at October 1, 1997 was adjusted to correct an error made in 1996. The financial statements did not include Insured But Not Reported (IBNR) claims of \$199,830. Had the error not been made, net income for 1996 would have decreased by \$9,116.

### Supplementary Information

**Louisiana Hearing Council Authorities Group Self Insurance Funds**  
**Schedule I - 10-year Claims Development Information**  
**Workers Compensation Fund**  
**Four Years Ended September 30, 1998**

	1998	1997	1996	1995
<b>Required contribution and investment revenue</b>				
Billed	\$556,719	\$546,593	\$448,011	\$432,300
Coded	(381,638)	(188,953)	(382,665)	162,803
Net earned	174,853	357,640	285,346	289,893
<b>Unallocated expenses</b>	32,768	34,712	33,529	28,691
<b>Estimated claims and expenses, end of policy year</b>				
Incurred	175,671	193,473	181,743	225,800
Coded	—	—	—	—
Net incurred	175,671	193,473	181,743	225,800
<b>Net paid, cumulative as of:</b>				
End of policy year	\$1,114	\$1,266	\$0,268	\$6,443
One year later		143,683	391,034	165,450
Two years later			181,034	248,565
Three years later				248,565
<b>Re-estimated coded claims and expenses</b>	--	--	--	
<b>Re-estimated net incurred claims and expenses</b>				
End of policy year	175,671	193,473	181,743	225,800
One year later		225,383	328,188	248,584
Two years later			181,034	258,686
Three years later				248,565
<b>Increase (Decrease) in estimated net incurred claims and expenses from end of policy year</b>	--	31,914	(80,708)	21,565

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



**Louisiana Housing Council Authority Group Self Insurance Funds**  
**Schedule 1 - 10-year Claims Development Information**  
**Health Fund**  
**Three Years Ended September 30, 1998**

	1998	1997	1996
<b>Required contribution and investment revenue</b>			
Earned	\$1,384,324	\$1,309,751	\$1,127,249
Coded	(166,390)	(162,381)	(132,878)
Not earned	1,217,934	1,147,370	994,371
<b>Unallocated expenses</b>	81,285	58,895	47,316
<b>Estimated claims and expenses, end of policy year</b>			
Incurred	1,538,983	1,104,813	1,310,515
Coded	(98,398)	(12,810)	(489,353)
Not incurred	1,440,585	1,092,003	860,562
<b>Net paid, cumulative as of:</b>			
End of policy year	1,271,684	888,178	1,114,685
One year later			1,310,515
Two years later			-
<b>Re-estimated coded claims and expenses</b>	98,398	12,810	489,353
<b>Re-estimated not incurred claims and expenses</b>			
End of policy year	1,440,585	1,092,003	860,562
One year later			860,562
Two years later			860,562
<b>Increase in estimated not incurred claims and expenses from end of policy year</b>	-	13,272	-

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GAAS 30). The Health Fund has data for only three years so these years' information is shown. The Schedule illustrates how The Funds' earned revenue (net of reinsurance) plus investment income compares to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

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December 18, 1998

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## **Report on Compliance and an Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards**

### **Insurance Committee**

Louisiana Housing Council Authorities Group Self Insurance Funds  
Ivrea, Louisiana

### **Members of the Committee:**

We have audited the combining financial statements of the

### **Louisiana Housing Council Authorities Group Self Insurance Funds Ivrea, Louisiana**

as of and for the year ended September 30, 1998, and have issued our report thereon dated December 18, 1998, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 Issues". We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Louisiana Housing Council Authorities Group Self Insurance Funds' combining financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Governmental Auditing Standards which are as follows:

During the year, the Louisiana Housing Council Authorities Group Self Insurance Funds invested in certificates of deposit from three out of state banks. According to Louisiana RS 39:1271, investments in certificates of deposit are required to be with "state banks organized under the laws of Louisiana, or national banks having their principal offices in the state of Louisiana". We recommended that this violation be corrected as soon as possible.

### Internal Control Over Financial Reporting

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

This report is intended for the information of the insurance committee, management, the Louisiana legislative auditor and the Louisiana insurance commissioner. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

*Arthur, Wagnon & Co., LLP*