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**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Iowa, Louisiana
March 31, 2004**

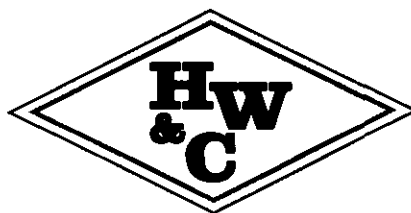
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date 9-15-04

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July 1, 2004

Independent Auditor's Report

Insurance Committee
Louisiana Housing Council, Inc.
Iowa, Louisiana

We have audited the accompanying combining and combined balance sheets of the

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Iowa, Louisiana**

as of March 31, 2004, and the related combining and combined statements of revenues, expenses and changes in fund equity and cash flows for the year then ended. These combining and combined financial statements are the responsibility of the management of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency. Our responsibility is to express an opinion on these combining and combined financial statements based on our audit.

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

In our opinion, the combining and combined financial statements referred to above present fairly, in all material respects, the individual and combined financial positions of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency as of March 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report July 1, 2004, on our consideration of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the combining and combined financial statements of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency 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 and combined financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the combining and combined financial statements and in our opinion, is fairly stated, in all material respects, in relation to the combining and combined financial statements taken as a whole.

Yours truly,

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

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Balance Sheets
March 31, 2004

	Workers Compensation Fund	Health Fund	Long Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2004 Totals
Assets									
Cash	\$708,153	\$765,021			\$72,611	\$2,197,903	\$308,427		\$4,052,115
Investments	1,149,284					299,880	349,113		1,798,277
Premiums receivable Due from Fire and Extended Coverage Fund			\$4,465				547,575		4,465 547,575
Prepaid expenses		3,275						\$99,483	102,758
Other receivables		190,143	2,569		13,575	2,015,482	656,832		2,878,601
LWCC Loss Fund	33,986								33,986
Accrued interest	<u>7,378</u>	<u>402</u>				<u>1,042</u>	<u>32</u>		<u>8,854</u>
Total assets	<u>1,898,801</u>	<u>958,841</u>	<u>7,034</u>		<u>86,186</u>	<u>4,514,307</u>	<u>1,861,979</u>	<u>99,483</u>	<u>9,426,631</u>
Liabilities and Fund Equity									
Accounts payable	1,500	1,857	2,569		106				6,032
Due to general liability fund						547,575			547,575
Unpaid claims liability	484,625	310,297				492,713	690,604		1,978,239
Deposit premiums	1,601								1,601
Unearned premiums	125,853					1,874,214	656,832	99,483	2,756,382
Policy premiums payable			4,465						4,465
Pension funds payable					72,505				72,505
Pension forfeitures payable					<u>13,575</u>				<u>13,575</u>
Total liabilities	613,579	312,154	7,034		86,186	2,914,502	1,347,436	99,483	5,380,374
Fund Equity	<u>1,285,222</u>	<u>646,687</u>				<u>1,599,805</u>	<u>514,543</u>		<u>4,046,257</u>
Total liabilities and fund equity	<u>1,898,801</u>	<u>958,841</u>	<u>7,034</u>		<u>86,186</u>	<u>4,514,307</u>	<u>1,861,979</u>	<u>99,483</u>	<u>9,426,631</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Revenues,
Expenses, and Changes in Fund Equity
Year Ended March 31, 2004

	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Long Term Disability Fund</u>	<u>Life Insurance Fund</u>	<u>Pension Fund</u>	<u>Fire & Extended Coverage Fund</u>	<u>General Liability Fund</u>	<u>Public Officials Liability Fund</u>	<u>2004 Totals</u>
Revenues									
Premiums earned	\$697,117	\$2,084,553	\$46,418	\$39,368		\$3,356,427	\$1,118,438	\$226,015	\$7,568,336
Premiums ceded	<u>(350,165)</u>	<u>(306,205)</u>				<u>(1,656,759)</u>	<u>(845,522)</u>		<u>(3,158,651)</u>
Net premiums earned	346,952	1,778,348	46,418	39,368		1,699,668	272,916	226,015	4,409,685
Pension funds received					\$858,907				858,907
Investment income	35,604	4,078				17,793	20,036		77,511
Net depreciation in fair value of investments	(8,949)					(233)	(11,857)		(21,039)
LHC fee						50,326	20,441	6,300	77,067
Other	<u>3,600</u>	<u>11,351</u>	<u>1,443</u>						<u>16,394</u>
Total revenues	<u>377,207</u>	<u>1,793,777</u>	<u>47,861</u>	<u>39,368</u>	<u>858,907</u>	<u>1,767,554</u>	<u>301,536</u>	<u>232,315</u>	<u>5,418,525</u>
Expenses									
Claims expenses	212,300	2,043,688				945,230	117,442		3,318,660
Less reinsurance proceeds		<u>(390,227)</u>							<u>(390,227)</u>
Net incurred claims expenses	212,300	1,653,461				945,230	117,442		2,928,433
Administrative fees	20,000	10,699	1,443		1,425		75,000	4,200	112,767
Insurance coordinator fees	18,000								18,000
Claims administrator fees		73,953							73,953
Insurance policies purchased			46,418	39,368				221,815	307,601
Pension funds transferred					857,482				857,482
Fees paid to LHC						50,326	20,441	6,300	77,067
Bank service charges/other	<u>21,176</u>	<u>5,620</u>				<u>11,995</u>	<u>3,740</u>		<u>42,531</u>
Total expenses	<u>271,476</u>	<u>1,743,733</u>	<u>47,861</u>	<u>39,368</u>	<u>858,907</u>	<u>1,007,551</u>	<u>216,623</u>	<u>232,315</u>	<u>4,417,834</u>
Net Income	105,731	50,044				760,003	84,913		1,000,691
Fund Equity									
Beginning of year	<u>1,179,491</u>	<u>596,643</u>				<u>839,802</u>	<u>429,630</u>		<u>3,045,566</u>
End of year	<u>1,285,222</u>	<u>646,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599,805</u>	<u>514,543</u>	<u>-</u>	<u>4,046,257</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Cash Flows
Year Ended March 31, 2004

	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Long Term Disability Fund</u>	<u>Life Insurance Fund</u>	<u>Pension Fund</u>	<u>Fire & Extended Coverage Fund</u>	<u>General Liability Fund</u>	<u>Public Officials Liability Fund</u>	<u>2004 Totals</u>
Cash Flows from Operating Activities									
Net income	\$105,731	\$50,044				\$760,003	\$84,913		\$1,000,691
Adjustments to reconcile net income to net cash provided by operations									
Net (appreciation) depreciation in fair value of investments	8,949					233	11,857		21,039
(Increase) Decrease in Receivables		(178,010)	(\$4,442)		\$11,220	(967,071)	(399,615)		(1,537,918)
Accrued investment income	2,262					(467)	8,287		10,082
Prepaid expenses		(3,275)						(\$16,944)	(20,219)
LWCC Loss Fund	(3,144)								(3,144)
Due from property fund							(547,575)		(547,575)
Increase (Decrease) in									
Claims reserve	86,090	33,033				191,408	(99,623)		210,908
Unearned premiums	2,534					927,021	399,615	16,944	1,343,580
Accounts payable	(18,630)	(459)	(23)		24				(16,554)
Policy premiums payable			4,465			(21,024)	(13,459)		(30,018)
Pension funds payable					(727)				(727)
Due to general liability						547,575			547,575
Other payables					7,722				7,722
<u>Net cash provided (used) by operating activities</u>	<u>183,792</u>	<u>(98,667)</u>			<u>18,239</u>	<u>1,437,678</u>	<u>(555,600)</u>		<u>985,442</u>
Cash Flows from Investing Activities									
Proceeds from sale and maturity of investment securities	925,000					1,196,960	3,210,869		5,332,829
Purchase of investment securities	(621,677)					(1,197,169)	(2,613,303)		(4,432,149)
<u>Net cash provided (used) by investing activities</u>	<u>303,323</u>					<u>(209)</u>	<u>597,566</u>		<u>900,680</u>
Net Increase (Decrease) in Cash	487,115	(98,667)			18,239	1,437,469	41,966		1,886,122
Cash, beginning of year	<u>221,038</u>	<u>863,688</u>			<u>54,372</u>	<u>760,434</u>	<u>266,461</u>		<u>2,165,993</u>
Cash, end of year	<u>708,153</u>	<u>765,021</u>	<u>-</u>		<u>72,611</u>	<u>2,197,903</u>	<u>308,427</u>	<u>-</u>	<u>4,052,115</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

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, 1989, 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 Omnibus, 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 exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

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 manages separate accounts for each pool member from which the losses of that member are paid.

Risk-Sharing and Insurance-Purchasing Pools

Workers Compensation Fund
Health Fund
Fire & Extended Coverage Fund
General Liability Fund

Insurance-Purchasing Pools

Long-Term Disability Fund
Life Insurance Fund
Public Officials Liability Fund

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Background information on Public Entity Risk Pools (Continued)

Participation in the Agency 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 lower costs. Participation is voluntary and participants may withdraw by giving proper notice. The Agency's general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of inter-local risk management to obtain lower costs for that coverage.

In 1981, the Louisiana Legislature enacted Louisiana Revised Statutes (LRS) 33:1351 through 33:1360, the "Local Housing Authority Self Insurance Act of 1981." LRS 33:1354 authorizes the Louisiana Housing Council, Inc. (LHC) to administer an inter-local 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 Risk-Sharing Pools

Participating housing authorities transfer risk of loss to the funds in the risk-sharing pool. If the assets of the Agency are exhausted, participants will be responsible for their respective outstanding claims.

Seventy-two housing authorities are participants in the Workers' Compensation Fund as of March 31, 2004. The Fund uses the Louisiana Workers' Compensation Corporation (LWCC) for claims processing and has established a "Loss Deposit" account with them.

Forty-three housing authorities are participants in the Health Fund as of March 31, 2004. American Group Administrators, Inc. of Hendersonville, Tennessee performs the claims processing for the Health Fund.

One hundred fifteen housing authorities are participants in the General Liability Fund as of March 31, 2004. Associated Claims Adjusters, Inc. performs the claims adjusting for the Fund.

One hundred seven housing authorities are participants in the Fire and Extended Coverage Fund as of March 31, 2004. Associated Claims Adjusters, Inc. performs the claims adjusting for the Fund.

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

Background Information on the Insurance-purchasing Pools

The insurance-purchasing pools include the Long-Term Disability Fund, Life Insurance Fund and the Public Officials Liability Fund, which are comprised of members of the Louisiana Housing Council, Inc. The Funds receive premiums from the housing authorities and pool the funds to purchase commercial insurance products.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 1-Summary of Significant Accounting Policies

A. Basis of Accounting

The Agency 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, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

C. Method Used to Value Investments

Investments are reported at fair value. Fair value is based on 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 the accrual basis.

D. Premium Income and Accounts Receivable

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

E. Unpaid Claims Liability

(I) Workers' Compensation Fund, Health Fund, Fire & Extended Coverage Fund and General Liability 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 reinsurance 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 doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense is presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 1-Summary of Significant Accounting Policies (Continued)

E. Unpaid Claims Liability (Continued)

(II) 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. Excess and Reinsurance Policies

The funds in the risk-sharing pools purchase excess and reinsurance policies to reduce exposure to large losses on insured events. Under excess policies, once claims reach the provided specific or aggregated stop loss limit, the liability transfers to the excess insurer. Reinsurance policies permit recovery of a portion of losses, although it does not discharge the primary liability of the individual funds as direct insurer of the risks. Funds do not report reinsured risks as liabilities unless it is probable that those costs will not be covered by reinsurers. The Agency evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize their exposure to significant losses from reinsurer insolvencies.

G. Income Taxes

The Agency is exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code.

H. 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 those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, unpaid claims liability for all risk-sharing and insurance purchasing pools.

I. New Pronouncements

Effective April 1, 2004, the Agency will be required to implement the provisions of GASB Statement Number 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and related standards. This new standard will not change the financial reporting or note disclosures required by GASB Statement Number 25, but will require the inclusion of a management discussion and analysis as supplementary information.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 2-Agency Pool

The Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency sponsors an Agency Pool, which includes only the Pension Fund. This fund receives the contributions from the housing authorities and remits to the custodian.

Note 3-Unpaid Claims Liabilities

The funds shown below have established liabilities for both reported and unreported insured events, which include estimates of future payments of losses and related claim adjustment expenses, both allocated and unallocated.

Changes in these liabilities are as follows:

March 31, 2004	Workers Compensation Fund	Health Fund	Fire & Extended Coverage Fund	General Liability Fund	Total
Unpaid claims and claims adjustment expenses at March 31, 2003	<u>\$398,535</u>	<u>\$277,264</u>	<u>\$301,305</u>	<u>\$790,227</u>	<u>\$1,767,331</u>
Incurred claims and claims adjustment expenses of the current period	202,831	1,702,701	900,000	341,643	3,147,175
Increases (decreases) in provision for insured events of prior years	<u>9,469</u>	<u>(49,240)</u>	<u>45,230</u>	<u>(224,201)</u>	<u>(218,742)</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>212,300</u>	<u>1,653,461</u>	<u>945,230</u>	<u>117,442</u>	<u>2,928,433</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year	20,004	1,392,404	412,061	69,770	1,971,745
Insured events of prior years	<u>106,206</u>	<u>228,024</u>	<u>341,761</u>	<u>147,295</u>	<u>745,780</u>
<u>Total payments</u>	<u>126,210</u>	<u>1,620,428</u>	<u>753,822</u>	<u>217,065</u>	<u>2,717,525</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>484,625</u>	<u>310,297</u>	<u>492,713</u>	<u>690,604</u>	<u>1,978,239</u>

Note 4-Cash, Cash Equivalents, and Investments

A. Cash and Cash Equivalents

(I) Workers Compensation Fund

At March 31, 2004, the carrying amount of the Funds' cash and cash equivalents was \$708,153, and the bank balance was \$717,787, which is collateralized by federal depository insurance and securities held in a joint custodial account in the Funds' name.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 4-Cash and Cash Equivalents, and Investments (Continued)

A. Cash and Cash Equivalents (Continued)

(II) Health Fund

At March 31, 2004, the carrying amount of the Funds' cash and cash equivalents was \$765,021, and the bank balance was \$995,902, which is collateralized by federal depository insurance and securities held in a joint custodial account in the Funds' name.

(III) Pension Fund

At March 31, 2004, the carrying amount of the Funds' cash and cash equivalents was \$72,611, and the bank balance was \$0. Funds in this account are collateralized by federal depository insurance and securities held in a joint custodial account in the Funds' name.

(IV) Fire & Extended Coverage Fund

At March 31, 2004, the carrying amount of the Funds' cash and cash equivalents was \$2,197,903, and the bank balance was \$2,243,177, which was collateralized by federal depository insurance and securities held in a joint custodial account in the Fund's name.

(V) General Liability Fund

At March 31, 2004, the carrying amount of the Fund's cash and cash equivalents was \$308,427, and the bank balance was \$320,549, which was covered by federal depository insurance and securities held in a joint custodial account in the Fund's name.

B. Investments

The investments of the Agency are held by custodial banks, or their intermediaries in the Agency's name. The Agency's 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 Agency or its agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or its trust department or agent but not in the Agency's name.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 4-Cash and Cash Equivalents, and Investments (Continued)

B. Investments (Continued)

The categorization for the investments held at March 31, 2004 was:

	<u>Category of Risk</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Workers Compensation Fund				
Investments				
Treasury notes	\$949,284			\$949,284
Certificate of deposit	<u>200,000</u>			<u>200,000</u>
	1,149,284			1,149,284
General Liability Fund				
Investments				
Treasury bills	349,113			349,113
Fire & Extended Coverage Fund				
Investments				
Treasury bills	<u>299,880</u>			<u>299,880</u>
<u>Total investments of all funds</u>	<u>1,798,277</u>			<u>1,798,277</u>

Note 5-Pledge of Collateral

The Workers' Compensation Fund has pledged and assigned a \$200,000 Certificate of Deposit to Louisiana Worker's Compensation Corporation to secure the payment and performance of the obligations of the Fund.

Note 6-Reinsurance Policy Coverage

A. Workers' Compensation Fund

At March 31, 2004, the Fund had excess insurance at statutory limits and employer liability at \$1,000,000. The self insured deductible is \$100,000 for each specific event with a \$350,000 stop loss aggregate for the policy period. Premiums ceded to excess insurers during the year ending March 31, 2004 were \$350,165.

B. Health Fund

At March 31, 2004, the Fund had reinsurance with each participant having a lifetime maximum coverage of \$1,000,000. The self insured retention is \$60,000 for each individual. Premiums ceded to reinsurers during the year ending March 31, 2004 were \$306,205, and the amount deducted from claims was \$390,227. All of the reinsurance activity was with a single reinsurer. Anticipated recoverable amounts as of March 31, 2004 were \$190,143.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 6-Reinsurance Policy Coverage (Continued)

C. Fire & Extended Coverage Fund

At March 31, 2004, the Fund had excess insurance with a self insured retention of \$100,000 for each specific event and a \$900,000 aggregate stop loss for the policy period. Premiums ceded to excess insurers during the year ending March 31, 2004 were \$1,656,759. The policy period runs from April 1st to March 31st of each year.

D. General Liability Fund

At March 31, 2004, the General Liability Fund had excess insurance with a self insured retention of \$100,000 for each specific event and a \$500,000 aggregate stop loss for the policy period. Premiums ceded to excess insurers during the year ending March 31, 2004 were \$845,522. The policy period runs from April 1st to March 31st of each year.

Note 7-Related Party Transactions

The Louisiana Housing Council, Inc. (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, but does not participate in the insurance. The Fire and Extended Coverage, General Liability and Public Officials Liability Funds pay a fee to LHC based on housing authorities' participation in the pool of fire & extended coverages, general liability and public officials liability policies. These fees are recognized when the policies are billed. Total fees expenses for the year ended March 31, 2004 were \$77,067.

Note 8-Administrative Services

Broussard, Bush & Hurst (BB&H), a division of Arthur J. Gallagher & Co. of La., Inc., is a third-party service agent hired by the funds to perform the risk management and administrative functions of the Agency. These fees are based on different criteria for each type of insurance coverage. Total fees expensed for the year ended March 31, 2004 were \$114,887

Fees by fund are as follows:

Workers Compensation Fund	\$20,000
Health Fund	10,699
Long-Term Disability Fund	1,443
Pension Fund	1,425
General Liability Fund	75,000
Public Officials Liability Fund	<u>4,200</u>
	<u>112,767</u>

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2004

Note 9-Forfeitures Payable

The Pension Fund has a forfeiture account with The Copeland Companies, which provides the pension plan to the housing authority participants, with a balance of \$13,575 at March 31, 2004. This amount will be allocated to the participants.

Note 10-Contingent Liabilities

The Agency is a litigate in several lawsuits. The Agency, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the Agency.

Supplementary Information

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Workers Compensation Fund

	Year Ended	Six Months	Year Ended September 30							
	March 31	Ended March 31	2002	2001	2000	1999	1998	1997	1996	1995
	2004	2003								
Required contribution and investment revenue										
Earned	727,372	328,756	\$746,838	\$727,752	\$765,626	\$630,439	\$556,729	\$546,592	\$448,011	\$432,700
Ceded	(350,165)	(123,709)	(219,682)	(188,275)	(185,897)	(203,157)	(161,876)	(164,953)	(162,665)	(142,805)
Net earned	377,207	205,047	527,156	539,477	579,729	427,282	394,853	381,639	285,346	289,895
Unallocated expenses	59,176	31,058	52,536	34,315	25,422	32,049	32,769	34,712	33,529	20,691
Estimated claims and expenses end of policy year										
Incurred	202,831	180,000	117,943	225,000	106,878	110,000	173,671	193,473	181,743	225,000
Ceded	--	--	--	--	--	--	--	--	--	--
Net incurred	202,831	180,000	117,943	225,000	106,878	110,000	173,671	193,473	181,743	225,000
Net paid, cumulative as of										
End of policy year	20,004	15,305	18,923	111,659	34,693	23,033	49,651	50,075	60,560	66,445
One year later		92,811	29,114	225,000	75,004	57,922	110,725	139,167	101,034	165,450
Two years later			45,792	225,000	110,499	85,078	111,259	182,475	101,034	246,965
Three years later				225,000	110,769	118,723	111,375	227,084	101,034	246,950
Four years later					111,253	118,985	111,375	250,000	101,231	246,950
Five years later						120,618	111,375	250,000	101,231	247,576
Six years later							139,952	250,000	101,231	247,576
Seven years later								250,000	101,231	247,576
Eight years later									101,231	247,576
										247,576
Re-estimated ceded claims and expenses	--	--	--	--	--	--	--	--	--	--
Re-estimated net incurred claims and expenses										
End of policy year	202,831	180,000	117,943	225,000	106,878	110,000	173,671	193,473	181,743	225,000
One year later		180,000	114,978	225,000	149,701	107,853	142,898	225,387	128,106	248,584
Two years later			121,584	225,000	124,422	154,797	121,057	213,170	101,034	250,686
Three years later				225,000	118,966	143,410	111,375	250,000	101,034	246,950
Four years later					124,107	189,867	111,375	250,000	101,231	246,950
Five years later						187,631	111,375	250,000	101,231	247,576
Six years later							198,902	250,000	101,231	247,576
Seven years later								250,000	101,231	247,576
Eight years later									101,231	247,576
										247,576
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year		--	3,641	--	17,229	77,631	25,231	56,527	(80,512)	22,576

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 nine years, so only nine years' information is shown. The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Health Fund

	Year Ended March 31 2004	Six Months Ended March 31 2003	Year Ended September 30							
			2002	2001	2000	1999	1998	1997	1996	
Required contribution and investment revenue										
Earned	\$2,099,982	\$1,118,293	\$2,162,595	\$1,942,592	\$1,688,252	\$1,551,757	\$1,384,224	\$1,309,731	\$1,127,249	
Ceded	<u>(306,205)</u>	<u>(157,188)</u>	<u>(336,105)</u>	<u>(300,250)</u>	<u>(247,274)</u>	<u>(205,431)</u>	<u>(166,390)</u>	<u>(162,701)</u>	<u>(157,878)</u>	
Net earned	1,793,777	961,105	1,826,490	1,642,342	1,440,978	1,346,326	1,217,834	1,147,030	969,371	
Unallocated expenses	90,272	22,157	49,871	48,260	65,792	90,814	81,266	59,896	47,916	
Estimated claims and expenses, end of policy year										
Incurred	2,092,928	889,444	1,884,317	2,210,718	1,741,117	1,672,737	1,538,982	1,104,813	1,310,515	
Ceded	<u>(390,227)</u>	<u>(10,063)</u>	<u>(336,576)</u>	<u>(441,427)</u>	<u>(298,576)</u>	<u>(451,268)</u>	<u>(98,594)</u>	<u>(12,010)</u>	<u>(409,953)</u>	
Net incurred	1,702,701	879,381	1,547,741	1,769,291	1,442,541	1,221,469	1,440,388	1,092,803	900,562	
Net paid, cumulative as of										
End of policy year	1,392,404	602,117	1,213,687	1,452,139	1,165,887	983,425	1,173,090	888,178	704,735	
One year later		830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Two years later			1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Three years later				1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Four years later					1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Five years later						1,223,536	1,440,388	1,092,803	900,562	
Six years later							1,440,388	1,092,803	900,562	
Seven years later								1,092,803	900,562	
Re-estimated ceded claims and expenses	390,227	10,063	336,576	441,427	298,576	451,268	98,594	12,010	409,953	
Re-estimated net incurred claims and expenses										
End of policy year	1,702,701	879,381	1,547,741	1,769,291	1,442,541	1,221,469	1,440,388	1,092,803	900,562	
One year later		830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Two years later			1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Three years later				1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Four years later					1,401,108	1,223,536	1,440,388	1,092,803	900,562	
Five years later						1,223,536	1,440,388	1,092,803	900,562	
Six years later							1,440,388	1,092,803	900,562	
Seven years later								1,092,803	900,562	
Increase in estimated net incurred claims and expenses from end of policy year		(49,240)	(200,301)	83,160	(41,433)	2,067	-	-	-	

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

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
General Liability Fund

	Year Ended	Six Months	Year Ended September 30			
	March 31	Ended March 31	2002	2001	2000	1999
	2004	2003				
Required contribution and investment revenue						
Earned	\$1,147,058	\$539,384	\$969,455	\$899,570	\$869,188	\$895,076
Ceded	<u>(845,522)</u>	<u>(340,772)</u>	<u>(470,867)</u>	<u>(270,991)</u>	<u>(242,349)</u>	<u>(250,000)</u>
Net earned	301,536	198,612	498,588	628,579	626,839	645,076
Unallocated expenses	99,181	40,657	99,131	96,682	93,500	97,056
Estimated claims and expenses, end of policy year						
Incurred	341,643	251,236	170,000	381,561	398,110	285,434
Ceded						
Net incurred	<u>341,643</u>	<u>251,236</u>	<u>170,000</u>	<u>381,561</u>	<u>398,110</u>	<u>285,434</u>
Net paid, cumulative as of						
End of policy year	69,770	57,858	15,137	16,906	5,630	42,066
One year later		67,318	15,137	98,985	55,491	92,039
Two years later			44,878	108,672	79,887	134,105
Three years later				154,532	110,194	195,843
Four years later					160,390	203,280
						215,860
Re-estimated ceded claims and expenses			-	-	-	-
Re-estimated net incurred claims and expenses						
End of policy year	341,643	251,236	170,000	381,561	264,867	285,434
One year later		202,306	170,000	381,561	398,100	251,231
Two years later			134,871	388,286	264,867	251,231
Three years later				272,570	246,159	226,199
Four years later					236,101	229,687
						215,860
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year		(48,930)	(35,129)	(108,991)	(162,009)	(69,574)

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). This is the fifth year for the General Liability Fund, therefore, only five years of information is shown. The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

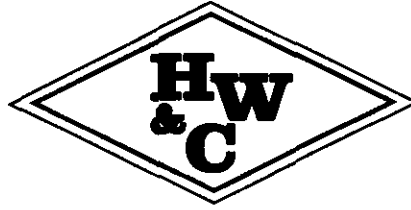
Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Fire & Extended Coverage Fund

	Year Ended	Six Months	Year Ended September 30,		
	March 31 2004	March 31 2003	2002	2001	2000
Required contribution and investment revenue					
Earned	\$3,424,313	\$1,631,316	\$3,033,168	\$2,536,397	\$2,101,329
Ceded	<u>1,656,759</u>	<u>(753,673)</u>	<u>(1,626,018)</u>	<u>(1,584,166)</u>	<u>(681,309)</u>
Net earned	1,767,554	877,643	1,407,150	952,231	1,420,020
Unallocated expenses	62,321	3,652	51,021	61,383	36,387
Estimated claims and expenses, end of policy year					
Incurred	900,000	385,000	515,000	1,000,000	750,000
Ceded					
Net incurred	<u>900,000</u>	<u>385,000</u>	<u>515,000</u>	<u>1,000,000</u>	<u>750,000</u>
Net paid, cumulative as of					
End of policy year	412,061	306,882	52,678	189,891	289,387
One year later		417,026	336,969	898,143	750,000
Two years later			482,974	954,844	750,000
Three years later				954,844	750,000
					750,000
Re-estimated ceded claims and expenses	-	-	-	-	-
Re-estimated net incurred claims and expenses					
End of policy year	900,000	385,000	515,000	1,000,000	750,000
One year later		470,612	515,000	1,000,000	750,000
Two years later			515,000	1,000,000	750,000
Three years later				959,618	750,000
					750,000
Increase in estimated net incurred claims and expenses from end of policy year		85,612	-	(40,382)	-

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). This is the fourth year for the Fire & Extended Coverage Fund, therefore, only four years of information is shown. The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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July 1, 2004

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

Insurance Committee

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Iowa, Louisiana

Members of the Committee:

We have audited the combining and combined financial statements of the

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Iowa, Louisiana**

as of and for the year ended March 31, 2004, and have issued our report thereon July 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 Risk Management Agency's 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combining and combined 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 solely for the information and use of the insurance committee, management, the Louisiana legislative auditor and the Louisiana insurance commissioner and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

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