

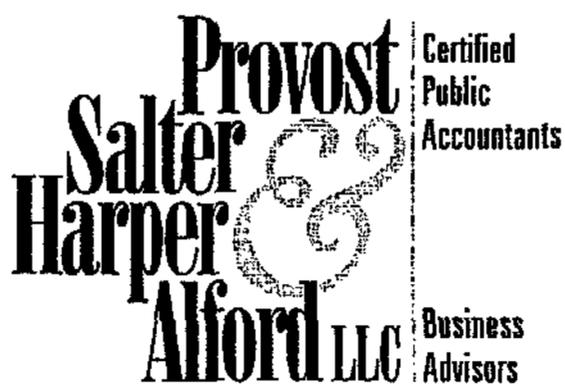
**LOUISIANA ASSESSORS'
INSURANCE FUND**

FINANCIAL REPORT

December 31, 2003

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 9/1/04



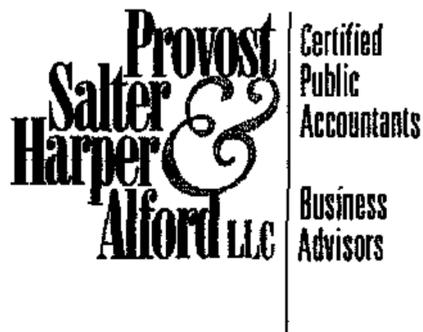
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LOUISIANA ASSESSORS' INSURANCE FUND

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December 31, 2003

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Louisiana Assessors' Insurance Fund

We have audited the accompanying balance sheets of the Louisiana Assessors' Insurance Fund (a quasi-public organization) (the Fund) as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 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 audit provides 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 the Louisiana Assessors' Insurance Fund as of December 31, 2003 and 2002 and the results of its operations and cash flows for the years 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 a report, dated June 18, 2004 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule on page 13 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Louisiana Assessors' Insurance Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

June 18, 2004

LOUISIANA ASSESSORS' INSURANCE FUND

*Balance Sheets**December 31, 2003 and 2002*

ASSETS	2003	2002
Cash	\$ 672,174	\$ 772,540
Reinsurance receivable	44,388	14,843
Premiums receivable	2,200	3,971
Investments, at fair value	1,367,029	1,341,413
Equipment, net of depreciation	10,036	13,242
Total Assets	\$ 2,095,827	\$ 2,146,009
LIABILITIES AND RETAINED EARNINGS		
Deferred premiums	\$ 48,806	\$ 70,327
Unpaid claims	670,208	938,553
Total liabilities	719,014	1,008,880
Retained earnings	1,376,813	1,137,129
Total Liabilities and Retained Earnings	\$ 2,095,827	\$ 2,146,009

LOUISIANA ASSESSORS' INSURANCE FUND

*Statement of Revenues, Expenses, and Changes in Retained Earnings**Years Ended December 31, 2003 and 2002*

	2003	2002
Revenues		
Premium income	\$ 6,664,717	\$ 6,732,224
Investment income	33,367	115,373
Total Revenues	6,698,084	6,847,597
Expenses		
Claims expenses	5,368,492	5,431,110
Insurance premiums	967,840	847,156
Administrative expenses	122,068	43,420
Total Expenses	6,458,400	6,321,686
Net Income	239,684	525,911
Retained earnings, beginning of year	1,137,129	611,218
Retained earnings, end of year	\$ 1,376,813	\$ 1,137,129

LOUISIANA ASSESSORS' INSURANCE FUND

*Statements' of Cash Flows**Years Ended December 31, 2003 and 2002*

	2003	2002
Cash Flows From Operating Activities		
Net income	\$ 239,684	\$ 525,911
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	3,206	3,206
Increase in fair value of investments	(4,386)	(46,726)
(Increase) decrease in reinsurance receivable	(29,545)	31,655
Decrease in premiums receivable	1,771	3,333
(Decrease) increase in unpaid claims liability	(268,345)	90,654
(Decrease) increase in deferred premiums	(21,521)	67,387
Net Cash Provided By (Used in) Operating Activities	<u>(79,136)</u>	<u>675,420</u>
Cash Flows From Investing Activities		
Purchase of investments	<u>(21,230)</u>	<u>(44,964)</u>
Net Cash (Used In) Investing Activities	<u>(21,230)</u>	<u>(44,964)</u>
Net (Decrease) Increase in Cash	<u>(100,366)</u>	<u>630,456</u>
Cash, beginning of year	<u>772,540</u>	<u>142,084</u>
Cash, end of year	<u>\$ 672,174</u>	<u>\$ 772,540</u>

LOUISIANA ASSESSORS' INSURANCE FUND

Notes to Financial Statements

December 31, 2003

1. Description of the Plan

The following description of the Louisiana Assessors' Insurance Fund (the Plan) provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

General. The Plan provides health and other benefits covering all Assessors and Assessors' employees throughout the state of Louisiana. The Plan and related trust were established on August 30, 1988, pursuant to Louisiana Revised Statute 47:1922.

Benefits. The Plan provides health benefits (medical, hospital, surgical, major medical, and dental), life insurance coverage, long-term disability benefits, vision, long term care and death benefits to participants and to their beneficiaries and covered dependents. Retired employees are entitled to similar health benefits (in excess of Medicare coverage) provided they have attained at least age fifty-five or thirty years of service regardless of age.

Health and dental claims of active and retired participants, dependents, and beneficiaries are processed by Gilsbar, Inc., the third party administrator, but the responsibility for payments to participants and providers is retained by the Plan. Disability claims are processed by Canada Life and death claims are processed by Sun Life. Vision coverage is provided by AIG Life Insurance Company and claims are processed by National Vision Administrators, Inc. Long term care benefits are provided through individual policies issued by Transamerica Life Insurance Company.

Contributions. The Plan is financed by premiums on behalf of the participants. The amount is determined annually by the Plan Administrator.

Other. The Plan's Board of Trustees, as Administrator, has the right under the Plan to modify the benefits provided to active and retired employees. The Plan may be terminated at any time.

Total membership in the Plan at December 31 is as follows:

	2003	2002
Retirees and beneficiaries receiving health care benefits	266	269
Active plan members	623	631
Total	889	900

LOUISIANA ASSESSORS' INSURANCE FUND

Notes to Financial Statements, Continued

December 31, 2003

2. Summary of Significant Accounting Policies

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

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Investments. Cash includes amounts in demand deposits. Under state law, the fund may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State statutes authorize the Plan to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in Louisiana banks, or any other federally insured investment or mutual funds, which have underlying investments consisting of securities of the U.S. government or its agencies.

The Plan's investments are stated at fair value. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year.

Equipment. Equipment is stated at cost and is depreciated over the estimated useful life of the asset utilizing the straight line method. It is the Fund's policy to capitalize expenditures for those items in excess of \$500. Lesser amounts are expensed. The estimated useful lives of the assets are as follows:

Equipment

7-10 years

Unpaid Claims Liability. The Plan establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on certain unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as claims history, inflation,

LOUISIANA ASSESSORS' INSURANCE FUND

Notes to Financial Statements, Continued

December 31, 2003

changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. The carrying amount of liabilities for claims losses and claims expenses is presented at the estimated amounts in the financial statements and it is possible that they could change in the subsequent year.

Deferred Premiums. The liability for deferred premiums represents payments received for premiums that are not due until after year end.

Reinsurance. The Plan uses reinsurance to reduce its exposure to large losses on insured events. Further description of the reinsurance coverage is described in note 5. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Plan as direct insurer of the risk reinsured. The Plan does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Claims expense consists of claims incurred during the current year, adjustments to the accounting estimate of prior years' claims expense and a reduction for claims covered by the reinsurer in accordance with the reinsurance policy.

Income Taxes. The Plan is exempt from federal income taxes under Section 501(c)9 of the Internal Revenue Code.

3. Deposits and Investments

Deposits. Under State law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Plan's deposits are categorized to give an indication of the level of risk assumed by the Plan. The categories are described as follows:

- Category 1.* Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2.* Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3.* Collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name.

LOUISIANA ASSESSORS' INSURANCE FUND

Notes to Financial Statements, Continued

December 31, 2003

At December 31, 2003	Bank Balance	1	Category 2	3	Carrying Amount
Deposits	\$ 783,598	\$ -	\$ -	\$ 783,598	\$ 672,174

At December 31, 2002	Bank Balance	1	Category 2	3	Carrying Amount
Deposits	\$ 956,356	\$ -	\$ -	\$ 956,356	\$ 772,540

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

Investments. The Plan's investments are categorized as either (1) insured or registered or for which the securities are held by the Plan or its agent in the Plan's name, (2) uninsured and unregistered for which the securities are held by the Plan in the Plan's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Plan's name.

At December 31, 2003	1	Category 2	3	Book Balance	Market Value
Mutual funds	\$1,367,029	\$ -	\$ -	\$1,367,029	\$ 1,367,029

At December 31, 2002	1	Category 2	3	Book Balance	Market Value
US Government agencies	\$1,341,413	\$ -	\$ -	\$1,341,413	\$ 1,341,413

4. Claims Expense and Unpaid Claims Reserve

The following represents changes in the aggregate unpaid claims liabilities for the Plan for the year ended December 31:

LOUISIANA ASSESSORS' INSURANCE FUND

Notes to Financial Statements, Continued

December 31, 2003

	2003	2002
Unpaid losses and loss adjustment expenses at beginning of fiscal year	<u>\$ 938,553</u>	<u>\$ 802,738</u>
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	5,314,361	5,370,372
Increases in provision for insured events of prior fiscal years	<u>54,132</u>	<u>60,738</u>
Total incurred losses and loss adjustment expenses	<u>5,368,493</u>	<u>5,431,110</u>
Payments:		
Losses and loss adjustment expenses attributable to insured events of current fiscal year	4,951,072	4,431,819
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	<u>685,766</u>	<u>863,476</u>
Total payments	<u>5,636,838</u>	<u>5,295,295</u>
Unpaid losses and loss adjustment expenses at end of fiscal year	<u>\$ 670,208</u>	<u>\$ 938,553</u>

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

5. Reinsurance Policy Coverage

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

The Plan obtained reinsurance from a commercial insurer providing aggregate coverage of \$825,000 each and every loss in excess of \$175,000 each and every loss.

Reinsurance premiums ceded during the year totaled \$220,068 and \$203,892 for the years ended December 31, 2003 and 2002, respectively. Losses recoverable from reinsurers were \$688,529 and \$344,614 for the years ended December 31, 2003 and 2002, respectively.

LOUISIANA ASSESSORS' INSURANCE FUND

Notes to Financial Statements, Continued

December 31, 2003

6. Other Matters

The trust established under the Plan to hold the Plan's assets is intended to qualify pursuant to Section 501(c)9 of the Internal Revenue Code and, accordingly, the Trust's net investment income is exempt from income taxes. The trust has a favorable tax determination letter from the Internal Revenue Service, and the Plan sponsor believes that the trust, as amended, continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code.

7. Administrative Expenses

The following administrative expenses were incurred during the year:

	2003	2002
Administrative allocation	\$ 102,000	\$ 24,000
Bank charges	778	385
Computer supplies	1,368	1,508
Depreciation	3,206	3,206
Office supplies	2,167	2,580
Per diem	3,750	2,775
Postage	1,019	1,035
Professional fees	6,510	6,900
Travel	1,270	1,031
Total	<u>\$ 122,068</u>	<u>\$ 43,420</u>

8. Related Parties

The Plan is related to the Louisiana Assessors' Association and the Louisiana Assessors' Retirement Fund. An administrative allocation of \$102,000 and \$24,000 were paid to the Association for the years ended December 31, 2003 and 2002, respectively, to reimburse it for office space, utilities and other shared costs.

LOUISIANA ASSESSORS' INSURANCE FUND

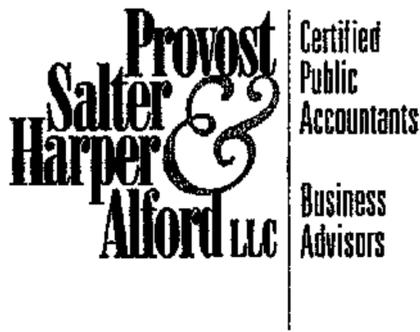
Supplementary Information

December 31, 2003

LOUISIANA ASSESSORS' INSURANCE FUND

*Schedule of Per Diem
Paid Board Members**Year Ended December 31, 2003*

	Number of Days	Amount Paid
Katherine Broadway	4	\$ 300
Richard Ducote, Jr.	4	300
Randall Fletcher	4	300
Irby Gamble	5	375
D. Rick Hargis	5	375
Clyde C. Hightower	5	375
Rickey J. Huval	6	450
Betty Jefferson	2	150
Richard Karam	4	300
Michael Martin	4	300
John Sneve	5	375
Errol Williams	2	150
Meeting totals	<u>50</u>	<u>\$ 3,750</u>



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

Board of Trustees
Louisiana Assessors' Insurance Fund
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Assessors' Insurance Fund as of and for the year ended December 31, 2003, and have issued our report thereon dated June 18, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

This report is intended solely for the information and use of the Board of Trustees, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

June 18, 2004

LOUISIANA ASSESSORS' INSURANCE FUND

Schedule of Prior Year Findings

December 31, 2003

No prior year findings were reported.