

EISNERAMPER

LOUISIANA MUNICIPAL RISK MANAGEMENT
AGENCY
ACCIDENT AND HEALTH FUND
FINANCIAL STATEMENTS
DECEMBER 31, 2023



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Accident and Health Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Risk Management Agency - Accident and Health Fund (a quasi-public organization) (the Fund), which comprise the statements of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Accounting Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Fund's Ability to Continue as a Going Concern

As discussed in Note 1 to the financial statements, the Fund's Board of Trustees approved plans for the Fund's dental coverage to be discontinued effective July 1, 2023. Remaining assets will be distributed to participants during 2024 and 2025 through a formula determined and approved by the Board of Trustees. The Fund's plans of dissolution raises substantial doubt about the Fund's ability to continue as a going concern except for this limited purpose. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Fund as for the year ended December 31, 2022, were audited by another auditor, whose report dated June 23, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2023 financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer included on page 16, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on pages 17 and 18, dated August 16, 2024, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Accident and Health Fund (the Fund) presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Effective January 1, 2013, the Fund converted its health insurance program from a self-funded program to a fully insured sponsored plan through Blue Cross Blue Shield of Louisiana. The financial statements for the years ended December 31, 2023, 2022 and 2021 include only operations for dental coverage which the Fund insures.

Effective July 1, 2023, the Fund discontinued operations of dental coverage. All members that were insured as of that date were transferred to an insured dental plan. Remaining funds will be distributed to participating members by a formula determined and approved by the Board of Trustees.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2023 by \$1,879,205 compared to the Fund's assets exceeding its liabilities by \$1,882,052 and \$1,895,086 as of December 31, 2022 and 2021, respectively.
- The Fund's assets totaled \$1,880,805, \$1,896,482, and \$1,905,176 at December 31, 2023, 2022, and 2021, respectively, which consisted primarily of cash and cash equivalents.
- The Fund reported premiums earned of \$36,784, \$199,996, and \$200,655 during the years ended December 31, 2023, 2022 and 2021, respectively.
- The Fund reported a decrease in net position of \$2,847, \$13,034, and \$47,077 during the years ended December 31, 2023, 2022, and 2021, respectively.
- The Fund outsourced the processing of dental claims during the years ended December 31, 2023, 2022, and 2021 and paid approximately \$6,500, \$20,000, and \$21,000, respectively, in administrative fees to the third-party processor.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by the private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine profitability, credit worthiness, and whether the Fund has successfully recovered all its costs through its premium and investment income.

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year.

These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in it. Net position (difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total assets	\$ 1,880,805	\$ 1,896,482	\$ 1,905,176
Total liabilities	<u>1,600</u>	<u>14,430</u>	<u>10,090</u>
Net position	<u>\$ 1,879,205</u>	<u>\$ 1,882,052</u>	<u>\$ 1,895,086</u>

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets consist primarily of cash and cash equivalents and have remained consistent from 2021 to 2023. Total liabilities decreased approximately 89% from 2022 to 2023 as a result of the decrease in the current amount of unpaid claims liability, as the fund was discontinued and all claims liabilities have been paid. Total liabilities increased approximately 43% from 2021 to 2022 as a result of the increase in the current amount of unpaid claims liability. Remaining assets will be distributed to participating members by a formula determined and approved by the Board of Trustees.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 36,784	\$ 199,996	\$ 200,655
Operating expenses	<u>123,805</u>	<u>240,136</u>	<u>248,639</u>
Operating loss	(87,021)	(40,140)	(47,984)
Non-operating income	<u>84,174</u>	<u>27,106</u>	<u>907</u>
Change in net position	<u>\$ (2,847)</u>	<u>\$ (13,034)</u>	<u>\$ (47,077)</u>

The Fund experienced an excess of expenses over revenues in the amount of \$2,847 and \$13,034 during the years ended December 31, 2023 and 2022, respectively, resulting primarily from the discontinued operations of the fund and lower number of participants. During the year ended December 31, 2021, the Fund experienced an excess of expenses over revenues of \$47,077 due to an increase in claims expense. Claims expense incurred during the years ended December 31, 2023, 2022 and 2021 represented 157%, 79%, 85% of premium income, respectively. Decrease in operating revenues and operating expenses as a result of the discontinuation of the coverage of the Fund effective July 1, 2023.

The Board of Trustees have approved a plan to discontinue the activities of the Fund and to distribute the Fund's remaining net assets to prior participants in 2024 and 2025. Due to these circumstances, the Fund is no longer considered to be a going concern.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Accident and Health Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (note 4)	\$ 1,880,805	\$ 1,873,028
Accounts receivable, net	<u>-</u>	<u>23,454</u>
Total assets	<u>\$ 1,880,805</u>	<u>\$ 1,896,482</u>
Liabilities:		
Accounts payable	\$ 1,600	\$ 2,530
Unpaid claims liability (note 3)	<u>-</u>	<u>11,900</u>
Total liabilities	1,600	14,430
Net position, unrestricted	<u>1,879,205</u>	<u>1,882,052</u>
Total liabilities and net position	<u>\$ 1,880,805</u>	<u>\$ 1,896,482</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 36,784	\$ 199,996
Total operating revenues	<u>36,784</u>	<u>199,996</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	57,576	158,556
Service agent fees (note 2)	12,081	18,381
Administrative fees (note 2)	15,318	32,966
Professional fees	<u>38,830</u>	<u>30,233</u>
Total operating expenses	<u>123,805</u>	<u>240,136</u>
<u>OPERATING LOSS</u>	(87,021)	(40,140)
<u>NON-OPERATING INCOME</u>		
Investment income, net (note 4)	<u>84,174</u>	<u>27,106</u>
<u>CHANGE IN NET POSITION</u>	(2,847)	(13,034)
NET POSITION - BEGINNING OF YEAR	<u>1,882,052</u>	<u>1,895,086</u>
NET POSITION - END OF YEAR	<u>\$ 1,879,205</u>	<u>\$ 1,882,052</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from:		
Premium revenues	\$ 60,238	\$ 188,732
Cash paid to:		
Claims and claims expense	(69,476)	(154,056)
Other expenses	<u>(67,159)</u>	<u>(81,740)</u>
Net cash used in operating activities	<u>(76,397)</u>	<u>(47,064)</u>
Cash flows from investing activities:		
Investment interest received	<u>84,174</u>	<u>27,106</u>
Net cash provided by investing activities	<u>84,174</u>	<u>27,106</u>
Net change in cash	7,777	(19,958)
Cash, beginning of year	<u>1,873,028</u>	<u>1,892,986</u>
Cash, end of year	<u>\$ 1,880,805</u>	<u>\$ 1,873,028</u>
Reconciliation of change in net position to net cash provided by operating activities:		
Operating loss	(87,021)	(40,140)
Adjustments to reconcile operating loss		
to net cash used in operating activities:		
Accounts receivable	23,454	(11,264)
Accrued expenses and unpaid claims liability	(12,830)	4,340
Net cash provided by operating activities	<u>\$ (76,397)</u>	<u>\$ (47,064)</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of accident and health, workers' compensation, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The Accident and Health Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. The Fund offered dental coverage to its members. Fund underwriting and rate-setting policies have been established by the Board of the Fund after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Effective July 1, 2023, the Board of Trustees approved a Plan for the Fund to discontinue operations and to distribute the Fund's remaining assets to participants. All remaining members that were insured as of that date were transferred to an insured dental plan. Remaining funds will be distributed to participating members by a formula determined and approved by the Board of Trustees.

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

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

The Fund pays LMA administrative fees as well as service agent fees to RMI for dental coverage (see note 2). During the years ended December 31, 2023 and 2022, the Fund outsourced the processing of dental claims to an unrelated third party. This service cost \$3.25 per contract, for a total of approximately \$6,500 and \$20,000 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2022, there were 18 participating municipalities in the Fund with 494 total participants. As previously described, all participants transferred effective July 1, 2023.

The various LMRMA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting*

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the balance sheet is not presented in a classified format.

(c) *Operating / Non-Operating Revenue and Expense*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses, which are ancillary to the Fund's statutory purpose, are classified as non-operating.

(d) *Net Position*

The Fund has implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; GASB Statement No. 63 provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources and also redefined the difference between total assets and total liabilities presented in the Statement of Net Position.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) ***Premium Income and Accounts Receivable***

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to premiums are considered to be a change in estimate and are recognized in the year they become known.

The Fund considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. With the discontinuation of dental coverage, as of December 31, 2023, the Fund's management determined remaining accounts receivable were uncollectible and wrote off remaining receivable balances as a charge against premiums earned in the amount of approximately \$23,000.

(f) ***Unpaid Claims Liability***

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim 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 claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liabilities are charged or credited to 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 claims amounts in the financial statements. As of December 31, 2023 there is no longer and outstanding unpaid claims liability.

(g) ***Cash and Cash Equivalents***

For the purposes of the statements of cash flows, cash includes amounts in demand deposit accounts with banks, and money markets and repurchase agreements, which are usually purchased with maturities of 90 days or less or are reinvested continuously.

(h) ***Income Taxes***

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

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its unpaid claims liabilities, and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

RMI and LMA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fee incurred by the Fund for these services is as follows:

	<u>2023</u>	<u>2022</u>
Expenses and current fee structure:		
Service agent fees – RMI	<u>\$ 12,081</u>	<u>\$ 18,381</u>
Administrative fees – LMA	<u>\$ 7,864</u>	<u>\$ 12,254</u>

As of December 31, 2023, included in accounts payable is \$600 payable to LMA and \$1,000 payable to RMI. As of December 31, 2022, included in accounts payable is \$1,012 payable to LMA and \$1,518 payable to RMI.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund’s aggregate unpaid claims liabilities for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Unpaid claims and claims adjustment expenses liability, beginning of year	\$ 11,900	\$ 7,400
Incurred claims and claims adjustment expense-provision for insured events	57,576	158,556
Less payments – claims and claims adjustment expenses	<u>(69,476)</u>	<u>(154,056)</u>
Unpaid claims and claims adjustment expenses liability, end of year	<u>\$ -</u>	<u>\$ 11,900</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these funds shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund is in compliance with these revised provisions as of and during the years ended December 31, 2023 and 2022. All demand deposits are insured or collateralized by pledged securities held by an agent in the name of the Fund.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions.

Net investment income for the years ended December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 84,174</u>	<u>\$ 27,106</u>

As of December 31, 2023 and 2022, the Fund had the following deposits:

	<u>2023</u>	<u>2022</u>
	Estimated Fair Value	Estimated Fair Value
Cash and cash equivalents invested in LAMP	\$ 1,605,830	1,526,947
Cash and cash equivalents	<u>274,975</u>	<u>346,081</u>
TOTAL	<u>\$ 1,880,805</u>	<u>\$ 1,873,028</u>

For reporting purposes, cash and cash equivalents include cash on hand, demand deposits, unrestricted money market accounts, and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value.

There is a balance of \$1,605,830 included in cash and cash equivalents on the statements of net position that is invested in the Louisiana Asset Management Pool (LAMP) for the year ended December 31, 2023. LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS (continued)

The following facts are relevant for LAMP:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 70 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 53 days as of December 31, 2023.

Foreign currency risk: Not applicable.

LAMP values its investments at fair value based on quoted market values. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares which approximates net asset value (NAV).

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and board of directors. LAMP is not registered with the SEC as an investment company.

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

5. SUBSEQUENT EVENTS

On May 31, 2024, \$1 million was distributed back to members who had health coverage for the years 2008 through 2012. The distribution was allocated based on total premiums paid in for the coverage period. Disbursements were made to 53 member entities. The remaining assets of the Fund will be distributed in a similar manner during 2025.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 16, 2024, and determined that no other events, other than those noted above, occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2023

Agency Head Name: John Gallagher

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by Agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

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

Officers and Trustees
Louisiana Municipal Risk Management Agency
Accident and Health Fund
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the Louisiana Municipal Risk Management Agency - Accident and Health Fund (the Fund) which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-01, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and recommendations as item 2023-001.

The Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



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

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

Findings– Financial Statements

2023-001

Non-compliance with State Audit Law

Criteria:

In accordance with R.S. 24:513, the Louisiana Municipal Risk Management Agency Accident and Health Fund (the Fund) must have their financial statements audited in a timely manner. The due date of the audited financial statements is six months after the Fund's fiscal year end.

Condition:

The Fund was required to have an audit completed by the filing deadline of June 30, 2024 (six months after its fiscal year end) and the Fund did not meet this filing deadline.

Cause:

The Fund is a part of an affiliated group through common membership and management control. Delays in reporting results for certain of affiliates caused delays in the audit process and resulted in the Fund's late filing.

Effect:

As of the date of this report, the Fund requested an extension until August 30, 2024, to file by the Louisiana Legislative Auditor. Untimely filing could cause noncompliance with state audit law.

Recommendation:

Fund should ensure that all financial reporting has been completed in an accurate and timely manner to allow sufficient time for the auditor to complete their procedures in accordance with State Law and meet future deadlines.

Management response:

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

ACCIDENT AND HEALTH FUND

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

August 6, 2024

RESPONSE TO FINDINGS IN 2023 AUDIT

2023-001 Non-compliance with State Audit Law

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.



George Murphy
LMRMA CFO

Administered by the Louisiana Municipal Association

(225)344-5001

(800)234-8274

FAX (225)344-3057

EISNERAMPER

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2023



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Public Liability Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the of the Louisiana Municipal Risk Management Agency - Public Liability Fund (the Fund), which comprise the statements of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Fund as of and for the year ended December 31, 2022, were audited by another auditor, whose report dated June 23, 2023, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audits were conducted for the purpose of forming opinions on the 2023 financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Public Liability Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2023 by \$14,068,830 compared to \$16,140,580 as of December 31, 2022, which is a 13% decrease from the previous year. The assets of the Fund exceeded its liabilities at December 31, 2022 by \$16,140,580 compared to \$18,592,219 as of December 31, 2021, which is a 13% decrease from the previous year.
- At December 31, 2023, the Fund's assets totaled \$32,150,692, which consisted primarily of cash and cash equivalents, investment securities primarily composed of direct and indirect investments in U.S. Government, corporate, and municipal debt obligations and accounts and notes receivable. At December 31, 2022 and 2021, the Fund's assets totaled \$31,308,417 and \$33,325,578, respectively, which consisted of the same.
- The Fund reported earned premiums of \$10,893,572, \$9,723,132, and \$9,748,473 during the years ended December 31, 2023, 2022, and 2021, respectively.
- Net position decreased by \$2,071,750 and \$2,451,639 during the years ended December 31, 2023 and 2022, respectively, due to unfavorable development in prior year's claims and declines in the market value of investments, respectively. Net position increased by \$2,714,909 during the year ended December 31, 2021 due to favorable development in prior year's claims.
- At the end of the current fiscal year, the Fund's net position totaled \$14,068,830 or 77.8% of the Fund's liabilities.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods like those used by private sector. The Statements of Net Position include all the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). These statements also provide the basis for computing rate of return, evaluating the capital structure of the Fund, and assessing the liquidity and financial flexibility of the Fund. All the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability, and credit worthiness.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates. Changes in estimates, as well as the differences in actual results and estimated amounts, will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position because of the year's activities. These statements report the Net Position of the Fund and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total assets	\$ 32,150,692	\$ 31,308,417	\$ 33,325,578
Total liabilities	<u>18,081,862</u>	<u>15,167,837</u>	<u>14,733,359</u>
Net position	<u>\$ 14,068,830</u>	<u>\$ 16,140,580</u>	<u>\$ 18,592,219</u>

All the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased approximately 3% from 2022 to 2023 primarily related to increases in reinsurance receivable. Total assets decreased approximately 6% from 2021 to 2022 primarily related to decreases in investments due to market value decline during 2022. Total liabilities increased approximately 19% from 2022 to 2023 due to the increase in the unpaid claims liability and amounts due to affiliates. Total liabilities increased approximately 3% from 2021 to 2022 primarily because of the increase in the unpaid claims liability.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

**Condensed Statements of Revenues and Expenses and Changes in Net Position
for the Years Ended December 31:**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 10,893,572	\$ 9,723,132	\$ 9,748,473
Operating expenses	<u>14,219,452</u>	<u>10,394,889</u>	<u>6,597,627</u>
Operating (loss) income	(3,325,880)	(671,757)	3,150,846
Non-operating income (loss)	<u>1,254,130</u>	<u>(1,779,882)</u>	<u>(435,937)</u>
Change in net position	<u>\$ (2,071,750)</u>	<u>\$ (2,451,639)</u>	<u>\$ 2,714,909</u>

During the year ended December 31, 2023, the Fund reported premium income of \$10,893,572 and investment income of \$1,254,130. Investment income during 2023 included to favorable changes in the values of the Fund's investment portfolio, which is consistent with the overall market for similar investments. The Fund reported total operating expenses of \$14,219,452 which consisted primarily of claims, reinsurance premiums, reinsurance special transfer, and administrative and service agent fees. During 2023, the Fund's Board of Trustees approved a one-time transfer of \$1 million to the Fund's affiliated insurer.

During 2022, the Fund reported premium income of \$9,723,132, and total operating expenses of \$10,394,889, which consisted primarily of claims, reinsurance premiums, and administrative and service agent fees. During 2021, the Fund reported premium income of \$9,748,473, and total expenses of \$6,597,627, which were similar in make-up to 2022.

The Fund's net position decreased by \$2,071,750 and \$2,451,639 during 2023 and 2022, respectively, and increased by \$2,714,909 during 2021. See Statements of Revenues, Expenses and Changes in Net Position on page 8 of this report.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Public Liability Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,681,776	\$ 1,354,959
Investments (note 4)	25,242,756	26,102,403
Accounts receivable, net	822,584	540,850
Reinsurance receivable (note 3)	1,542,536	922,971
Deductibles receivable	365,419	389,342
Due from affiliates - net (note 2)	-	323,012
Accrued interest receivable	156,344	142,418
Note receivable from affiliate (note 2)	<u>1,339,277</u>	<u>1,532,462</u>
Total assets	<u>\$ 32,150,692</u>	<u>\$ 31,308,417</u>

LIABILITIES AND NET POSITION

Liabilities:		
Unpaid claims liability, net (note 3)	\$ 14,680,000	\$ 13,031,000
Unearned premiums	2,043,583	2,125,723
Accounts payable and accrued expenses	6,957	11,114
Due to affiliates - net (note 2)	<u>1,351,322</u>	<u>-</u>
Total liabilities	18,081,862	15,167,837
Net position	<u>14,068,830</u>	<u>16,140,580</u>
Total liabilities and net position	<u>\$ 32,150,692</u>	<u>\$ 31,308,417</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 10,893,572	\$ 9,723,132
Total operating revenues	<u>10,893,572</u>	<u>9,723,132</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	8,502,692	6,319,123
Reinsurance premiums (note 2)	1,802,886	1,609,178
Reinsurance special transfer (note 2)	1,000,000	-
Administrative fees (note 2)	1,505,129	1,215,767
Service agent fees (note 2)	1,307,229	1,166,776
Miscellaneous	101,516	84,045
Total operating expenses	<u>14,219,452</u>	<u>10,394,889</u>
<u>OPERATING LOSS</u>	(3,325,880)	(671,757)
<u>NON-OPERATING INCOME (LOSS)</u>		
Investment income (loss), net (note 4)	1,204,785	(1,801,497)
Interest income from affiliate (note 2)	49,345	21,615
Total non-operating income (loss)	<u>1,254,130</u>	<u>(1,779,882)</u>
<u>CHANGE IN NET POSITION</u>	<u>(2,071,750)</u>	<u>(2,451,639)</u>
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>16,140,580</u>	<u>18,592,219</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 14,068,830</u>	<u>\$ 16,140,580</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from:		
Premium revenue collected	\$ 10,529,698	\$ 9,574,687
Member deductibles and other recoverables collected	341,536	338,271
Reinsurance Recoverable	2,791,287	1,333,072
Cash paid to:		
Suppliers of services	(105,673)	(80,187)
Claims and claims expenses	(10,582,157)	(7,238,650)
Service agents and management fees	(2,560,910)	(1,169,817)
Reinsurance premiums	(1,380,000)	(2,233,351)
Net cash (used in) provided by operating activities	<u>(966,219)</u>	<u>524,025</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(11,057,394)	(7,940,792)
Proceeds from sales and maturities of investments	12,308,617	5,364,653
Payments received on note receivable from affiliate	193,185	1,467,538
Interest income on note receivable from affiliate	49,345	21,615
Investment income received	799,283	609,957
Net cash provided by (used in) investing activities	<u>2,293,036</u>	<u>(477,029)</u>
Net change in cash and cash equivalents	1,326,817	46,996
Cash and cash equivalents at beginning of year	<u>1,354,959</u>	<u>1,307,963</u>
Cash and cash equivalents at end of year	<u>\$ 2,681,776</u>	<u>\$ 1,354,959</u>
Reconciliation of change in net position to net cash used in operating activities:		
Operating loss	\$ (3,325,880)	\$ (671,757)
Adjustments to reconcile operating loss to net cash (used in) provided by operations:		
Change in receivables and due from affiliates	796,958	761,304
Change in unpaid claims liability	1,649,000	378,000
Change in accounts payable and accrued expenses and unearned premiums	<u>(86,297)</u>	<u>56,478</u>
Net cash (used in) provided by operating activities	<u>\$ (966,219)</u>	<u>\$ 524,025</u>
Noncash investing activities		
Net change in fair value of investments	<u>\$ 863,968</u>	<u>\$ (2,188,013)</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) *Background and Financial Statement Presentation*

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The LMRMA Public Liability Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate setting policies have been established by the Board of the Fund after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims. As of December 31, 2023 and 2022, there were 203 and 196 participating municipalities, respectively.

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

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

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the LMRFA is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Public Liability Fund.

The various LMRMA and LMRFA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting*

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) *Operating/Non-Operating Revenue and Expense*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(d) *Investments*

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

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Premium Income and Receivables*

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

The Fund considers accounts receivable, reinsurance receivable, note receivable, and deductibles receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts or deductibles become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

(f) *Unpaid Claims Liability*

The Fund provides liability coverage to members for claims incurred during the benefit period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual 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, particularly for coverages such as public liability. 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 claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund includes unallocated loss adjustment expenses in its reserve valuation process.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements.

(g) *Statements of Cash Flows*

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

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *Excess Reinsurance*

The Fund uses excess reinsurance to reduce its exposure to large losses on insured events (see notes 2 and 5). Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be recovered from reinsurers.

(i) *Income Taxes*

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

(j) *Use of Estimates*

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY TRANSACTIONS

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of premiums earned and earned normal premiums (ENP) for the years ended December 31, 2023 and 2022, respectively. Additionally, beginning in 2022, the LMA administrative service agreement fee was amended to also include payment of the Fund's annual interest earnings. The respective percentages of the earned normal premiums as well as interest income are as follows:

	<u>2023</u>	<u>2022</u>
Expenses (and current fee structure):		
Administrative fee – LMA		
8.25% of earned premium	\$ 898,719	\$ 802,158
Interest earnings	606,410	413,609
	<u>\$ 1,505,129</u>	<u>\$ 1,215,767</u>
Service agent - RMI		
12.00% of earned premium	<u>\$ 1,307,229</u>	<u>\$ 1,166,776</u>
Reinsurance premium – LMRFA		
16.55% of earned premium	<u>\$ 1,802,572</u>	<u>\$ 1,609,178</u>
Special Transfer - LMRFA **	<u>\$ 1,000,000</u>	<u>\$ -</u>
Reinsurance recoveries from LMRFA	<u>\$ 3,410,852</u>	<u>\$ 735,430</u>
Due (to) from affiliates:		
LMA	\$ (94,441)	\$ 19,595
RMI	(71,003)	66,409
LMRFA	<u>(1,185,878)</u>	<u>237,008</u>
	<u>\$ (1,351,322)</u>	<u>\$ 323,012</u>

** For the year ended December 31, 2023, the Board of Trustees approved a one-time special transfer of \$1,000,000 from the Fund to the LMRFA (Note 5).

Also see Note 3 for additional reinsurance receivable balance with LMRFA and estimated future recoverable.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2021, the Fund and LMRMA Workers' Compensation Fund entered into an agreement with LMA to loan funds to LMA, a total of \$8 million, for the purpose of the purchase of an office building. The terms of the agreement dated December 20, 2021, require LMA to pay the Fund \$3 million and the LMRMA Workers' Compensation Fund \$5 million in principal with interest thereon at the initial rate per annum equal to the average yield on all of LMRMA investments as of December 31, 2021. LMA pledges the future administrative fees it receives from the Fund and the LMRMA Workers' Compensation Fund as payment for the principal and interest on this note not to exceed \$1.5 million per year. The note is also secured by a mortgage on the property purchased and was reduced by net proceeds from the sale of the prior LMA office building during 2022. The terms also state that the interest rate shall be adjusted on January 1 each year beginning on January 1, 2023, based on the average yield on all of LMRMA investments for the then immediately preceding 12 months.

Interest and principal are payable in annual installments beginning on the 20th of December 2022 and each year thereafter until paid, with the payments varying as interest rate varies. The note receivable balance was \$1,339,277 and \$1,532,462 as of December 31, 2023 and 2022, respectively. Interest income recognized during 2023 and 2022 was \$49,345 and \$21,615, respectively, computed at an interest rate of 3.22% and 0.81%, respectively.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	\$ 23,892	\$ 20,667
Less: reinsurance recoverables	<u>10,861</u>	<u>8,014</u>
Liability for unpaid losses at beginning of year, net	<u>13,031</u>	<u>12,653</u>
Net incurred related to:		
Current year	7,057	5,534
Prior years	<u>1,446</u>	<u>785</u>
Total incurred	<u>8,503</u>	<u>6,319</u>
Net paid related to:		
Current year	1,191	904
Prior years	<u>5,663</u>	<u>5,037</u>
Total paid	<u>6,854</u>	<u>5,941</u>
Liability for unpaid losses at end of year, gross	29,652	23,892
Less: reinsurance recoverables (See Note 5)	<u>14,972</u>	<u>10,861</u>
Liability for unpaid losses at end of year, net	<u>\$ 14,680</u>	<u>\$ 13,031</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

In addition to the estimated unpaid claims recoverable from the Fund's reinsurer (LMRFA), there are \$1,542,536 and \$922,971 of paid claims which are receivable from the reinsurer at December 31, 2023 and 2022, respectively. See Note 5.

During 2023 and 2022, the Fund experienced unfavorable development of prior year estimated loss reserves. The unfavorable development is due to claims severity estimates compared to prior estimates. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2023 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2023, will not vary from the above estimates, and such difference could be significant.

The Fund's claims payable have been discounted as of December 31, 2023 and 2022, based on the Fund's anticipated payout patterns and discount rate assumption of 3.0% and 2.5%, respectively, which is intended to approximate the interest earnings over the reserve payout period. The effect of the reserve discounts was \$855,000 and \$721,000 at December 31, 2023 and 2022, respectively.

4. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution in question. In regard to deposits and investments, the Fund was in compliance with these revised provisions as of and during the years ended December 31, 2023 and 2022.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in other bond or debentures provided certain conditions are met regarding credit quality. Included in investments are money market accounts and repurchase agreements. The Fund's policy is to wire transfer cash as needed from investments to support disbursements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Fund's exposure to each type.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2023 and 2022:

<u>Investment Type</u>	<u>2023</u>		<u>2022</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
U.S. Government mortgage-backed securities	\$ 5,458,211	\$ 5,586,260	\$ 4,127,055	\$ 4,350,381
U.S. Agency debt obligations	9,509,074	10,014,010	9,331,069	10,186,239
U.S. Treasury bonds	2,668,871	2,822,529	3,234,528	3,501,146
Money market funds	129,005	129,005	1,177,942	1,177,942
Municipal bonds	3,907,128	4,101,875	4,733,807	5,119,215
Corporate bonds	<u>3,570,467</u>	<u>3,769,961</u>	<u>3,498,002</u>	<u>3,832,332</u>
TOTAL	<u>\$ 25,242,756</u>	<u>\$ 26,423,640</u>	<u>\$ 26,102,403</u>	<u>\$ 28,167,255</u>

The Fund's investments reflected a net unrealized loss at December 31, 2023 and 2022 of \$1,180,884 and \$2,064,852, respectively, which is attributed to the increases in the market interest rate environment which is further addressed below in Interest Rate Risk. Management expects to hold securities over a period sufficient for the interest rate related decline in fair value to recover and are not considered to be impaired.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

All of the Fund's investments with the exception of money market investments and corporate and municipal bonds, are backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Credit ratings as of December 31, 2023 and 2022 are as follows:

2023	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 3,439,995	\$ 467,133
Corporate bonds	<u>1,465,008</u>	<u>2,105,459</u>
	<u>\$ 4,905,003</u>	<u>\$ 2,572,592</u>
2022	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 3,717,152	\$ 1,016,655
Corporate bonds	<u>1,440,082</u>	<u>2,057,920</u>
	<u>\$ 5,157,234</u>	<u>\$ 3,074,575</u>

- (1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.
- (2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2023:

<u>INVESTMENT TYPE</u>	<u>INVESTMENT MATURITIES (in years)</u>				
	<u>Estimated Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater than 10</u>
U.S. Government agency debt obligations	\$ 9,509,074	\$ 1,627,556	\$ 3,300,859	\$ 4,580,659	\$ -
U.S. Treasury bonds and notes	2,668,871	398,295	522,396	1,748,180	-
Municipal bonds	3,907,128	914,725	2,992,403	-	-
Corporate bonds	3,570,467	695,352	2,875,115	-	-
Money market funds	<u>129,005</u>	<u>129,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,784,545</u>	<u>\$ 3,764,933</u>	<u>\$ 9,690,773</u>	<u>\$ 6,328,839</u>	<u>\$ -</u>
U.S. Government mortgage-backed securities	<u>5,458,211</u>				
TOTAL	<u>\$ 25,242,756</u>				

Net investment (loss) income for the years ended December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 606,410	\$ 413,609
Realized losses – net	(285,593)	(27,093)
Unrealized gains (losses) arising during the year - net	<u>883,968</u>	<u>(2,188,013)</u>
	<u>\$ 1,204,785</u>	<u>\$ (1,801,497)</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2023 and 2022:

December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 2,668,871	\$ -	\$ 2,668,871
U.S. Government mortgage-backed securities	-	5,458,211	5,458,211
U.S. Agency debt obligations	9,509,074	-	9,509,074
Money market funds	129,005	-	129,005
Municipal bonds	-	3,907,128	3,907,128
Corporate bonds	-	3,570,467	3,570,467
	<u>\$ 12,306,950</u>	<u>\$ 12,935,806</u>	<u>\$ 25,242,756</u>

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 3,234,528	\$ -	\$ 3,234,528
U.S. Government mortgage-backed securities	-	4,127,055	4,127,055
U.S. Agency debt obligations	9,331,069	-	9,331,069
Money market funds	1,177,942	-	1,177,942
Municipals bonds	-	4,733,807	4,733,807
Corporate bonds	-	3,498,002	3,498,002
	<u>\$ 13,743,539</u>	<u>\$ 12,358,864</u>	<u>\$ 26,102,403</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

The Fund and LMRFA represent a cooperative program for group funding and risk management of public liability claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants. LMRFA provides reinsurance to LMRMA Public Liability Fund with the following limits:

- Item I: \$5,000,000 annual aggregate in excess of 65% of earned normal premium
- Item II: Each and every loss in excess of \$100,000 in accident years prior to 2012 and \$150,000 for 2013 and future years.

Prior to 1993, Louisiana law limited the liability of the municipalities to \$500,000 per occurrence. During 1993, the Louisiana Supreme Court revoked this limit. The above "specific reinsurance limits" for the Public Liability Fund covers claims up to \$500,000. As of November 1, 1995, the statutory liability increased to \$750,000 from \$500,000. The Fund's coverage remains unchanged.

The following are condensed Statements of Net Position for LMRFA at December 31:

	<u>2023</u>	<u>2022</u>
Assets	\$ 51,963,280	\$ 46,061,638
Liabilities	<u>45,626,140</u>	<u>40,323,221</u>
Net Position	<u>\$ 6,337,140</u>	<u>\$ 5,738,417</u>

At December 31, 2023 and 2022, the Fund included approximately \$15.0 and \$10.9 million, respectively, as recoverable from LMRFA (included in the liabilities above) which reduced liabilities for anticipated losses (See Note 3). As further discussed in Note 2, the Board of Trustees approved a one-time transfer of \$1 million to LMRFA which is included in the 2023 assets and net financial position in the above condensed financial information. The Fund's financial statements have been prepared on the assumption LMRFA has financial resources to honor all of its financial obligations. Should LMRFA not be able to meet its financial obligations to the Fund, the Fund remains primarily obligated for the liabilities insured by LMRFA. Management continues to evaluate the amounts recoverable from LMRFA and believes the amounts are all recoverable.

6. CONTINGENCIES

The Fund is involved in various insurance-related claims and legal actions arising from the normal conduct of business. Management of the Fund establishes estimated liabilities for reported and unreported contingencies. The Fund believes the outcome of these proceedings is mitigated and will not have a material effect on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2023

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense (net of loss assumed by reinsurers on specific losses) incurred by the Fund as of the end of 2023 and as of the end of each of the last nine years. The table below does not include costs on estimated incurred claims related to unallocated loss adjustment expenses.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(in thousands)									
ENP and investment income	\$ 12,148	\$ 7,943	\$ 9,313	11,669	\$ 11,686	\$ 11,384	\$ 11,918	\$ 11,963	\$ 12,343	\$ 10,727
Operating costs unallocated	5,717	4,076	3,357	3,604	3,431	3,400	3,519	3,468	3,563	6,432
Estimated incurred claims and claims expense, end of policy year	8,734	5,790	5,012	6,269	5,988	5,617	5,266	7,127	6,744	7,613
Paid (cumulative) as of:										
End of policy year	1,191	904	615	851	642	687	643	719	686	765
One year later	-	2,294	1,747	1,665	2,088	1,954	1,688	2,293	2,416	2,346
Two years later	-	-	2,852	2,607	2,917	3,178	3,463	4,027	4,383	4,631
Three years later	-	-	-	3,187	3,934	3,927	3,960	5,290	5,899	5,946
Four years later	-	-	-	-	4,741	4,608	4,575	5,781	6,857	6,678
Five years later	-	-	-	-	-	5,219	5,077	6,195	7,139	6,957
Six years later	-	-	-	-	-	-	5,495	6,249	7,328	7,146
Seven years later	-	-	-	-	-	-	-	6,320	7,347	7,180
Eight years later	-	-	-	-	-	-	-	-	7,286	7,215
Nine years later	-	-	-	-	-	-	-	-	-	7,225
Estimated incurred claims and claims expense:										
End of policy year	8,734	5,790	5,012	6,269	5,988	5,617	5,266	7,127	6,744	7,613
One year later	-	6,085	5,086	4,729	5,691	6,108	5,231	6,914	7,209	7,267
Two years later	-	-	5,012	4,549	5,003	5,430	5,820	6,840	7,444	7,873
Three years later	-	-	-	4,374	5,103	5,223	5,346	7,148	7,780	7,485
Four years later	-	-	-	-	5,433	5,338	5,622	6,794	7,852	7,537
Five years later	-	-	-	-	-	5,690	5,772	6,827	7,638	7,481
Six years later	-	-	-	-	-	-	5,835	6,661	7,594	7,376
Seven years later	-	-	-	-	-	-	-	6,703	7,515	7,359
Eight years later	-	-	-	-	-	-	-	-	7,456	7,365
Nine years later	-	-	-	-	-	-	-	-	-	7,345
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	295	-	(1,895)	(555)	73	569	(424)	712	(268)

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2023

Agency Head Name: John Gallagher

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2016, and applicable guidance published by the Louisiana Legislative Auditor.

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

Officers and Trustees
Louisiana Municipal Risk Management Agency
Public Liability Fund
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the Louisiana Municipal Risk Management Agency - Public Liability Fund (the Fund) which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings as item 2023-01 and 2023-02 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-01 and 2023-02.

The Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying schedule of findings. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

Findings – Financial Statement Audit

2023-001

Non-compliance with State Audit Law

Criteria:	In accordance with R.S. 24:513, the Louisiana Municipal Risk Management Agency Public Liability Fund (the Fund) must have their financial statements audited in a timely manner. The due date of the audited financial statements is six months after the Fund's fiscal year end.
Condition:	The Fund was required to have an audit completed by the filing deadline of June 30, 2024 (six months after its fiscal year end) and the Fund did not meet this filing deadline.
Cause:	As a result of findings as indicated in 2023-002 below, there were delays in the completion of the financial statement audit.
Effect:	As of the date of this report, the Fund requested an extension until August 30, 2024, to file by the Louisiana Legislative Auditor. Untimely filing could cause noncompliance with state audit law.
Recommendation:	The Fund should ensure that all financial reporting has been completed in an accurate and timely manner to allow sufficient time for the auditor to complete their procedures in accordance with State Law and meet future deadlines.
Management response:	We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

Findings – Financial Statements (continued)

2023-002

Design of Internal Control Over Financial Reporting

Criteria:	Internal controls over financial reporting should be adequately designed to enable the Fund to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. Internal controls related to significant agreements and transactions should be in written form and communicated to appropriate personnel as to their application.
Condition:	As part of the audit process, the auditors identified significant agreements related to risk sharing and limitation agreements with an affiliated entity were not written and material transactions and balances related to these agreements with the affiliated entity were applied inconsistently.
Cause:	No written documentation of risk sharing agreements.
Effect:	Significant adjustments were proposed in order for the financial statements to accurately reflect the Fund's financial position, operations, and cash flows.
Recommendation:	All significant agreements with affiliated and third parties should be maintained in written form as approved by the appropriate governance body. Further, key terms and provisions of these agreements should be communicated to appropriate personnel in order for transactions to be processed in accordance with these agreements. There should be a review process in place to ensure personnel are processing transactions appropriately.
Management response:	We will maintain agreements with affiliated and third parties in written form as approved by the appropriate governance body. We will communicate to appropriate personnel provisions of the agreements in order for transactions to be processed appropriately.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

PUBLIC LIABILITY FUND

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

August 6, 2024

RESPONSE TO FINDINGS IN 2023 AUDIT

2023-001 Non-compliance with State Audit Law

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

2023-002 Design of Internal Control Over Financial Reporting

We will maintain agreements with affiliated and third parties in written form as approved by the appropriate governance body. We will communicate to appropriate personnel provisions of the agreements in order for transactions to be processed appropriately.



George Murphy
LMRMA CFO

Administered by the Louisiana Municipal Association

(225)344-5001

(800)234-8274

FAX (225)344-3057

EISNERAMPER

LOUISIANA MUNICIPAL RISK MANAGEMENT
AGENCY
WORKERS' COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2023



**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND**

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Risk Management Agency - Workers' Compensation Fund (the Fund), which comprise the statements of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Fund as for the year ended December 31, 2022, were audited by another auditor, whose report dated June 23, 2023, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audits were conducted for the purpose of forming opinions on the 2023 financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - WORKERS' COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2023 by \$17,518,470 compared to \$21,547,872 as of December 31, 2022, which is a 18.7% decrease over the previous year. The assets of the Fund exceeded its liabilities at December 31, 2022 by \$21,547,872 compared to \$24,600,057 as of December 31, 2021, which is a 12.4% decrease over the previous year.
- At December 31, 2023, the Fund's assets totaled \$38,281,803 which consisted primarily of cash and cash equivalents, investment securities primarily composed of direct and indirect investments in U.S. Government debt obligations, corporate and municipal bonds, amounts and notes due from affiliates, and receivables. At December 31, 2022 and 2021, the Fund's assets totaled \$38,817,074 and \$41,723,194 and consisted of the same composition as 2023.
- The Fund reported earned premiums of \$6,319,075, \$7,168,683 and \$6,620,900 during the years ended December 31, 2023, 2022, and 2021, respectively, and a decrease in net position of \$4,029,402, \$3,052,185, and \$1,624,866 during the years ended December 31, 2023, 2022, and 2021, respectively. The decrease during 2023 was primarily related to the reinsurance special transfer while the decreases in 2022 and 2021 were primarily related to declines in the market value of investments due to overall market conditions.
- At the end of the current fiscal year, the Fund's net position totaled \$17,518,470 or 84% of the Fund's liabilities. The Fund's premiums earned during 2023 were approximately 36% of its net position at December 31, 2023.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all of its costs through its premiums and investment income, profitability and credit worthiness. The final required basic financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - WORKERS' COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

The preparation of these basic financial statements requires the utilization of significant estimates. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in it. Net position (difference between assets, deferred outflows, deferred inflows, and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, the judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total assets	\$ 38,281,803	\$ 38,817,074	\$ 41,723,194
Total liabilities	<u>20,763,333</u>	<u>17,269,202</u>	<u>17,123,137</u>
Net position	<u>\$ 17,518,470</u>	<u>\$ 21,547,872</u>	<u>\$ 24,600,057</u>

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. During 2023, total assets decreased approximately 1.4% due to a decrease in cash and cash equivalents and total liabilities increased approximately 20% mainly related to the increase in balances due to affiliates. During 2022, total assets decreased approximately 7% due to a decrease in investments due to market value declines during the year and total liabilities increased approximately 0.85% mainly due to the increase in the unpaid claims liability. Net position decreased approximately 19% from 2022 to 2023 and 12% from 2021 to 2022.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - WORKERS' COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 6,319,075	\$ 7,168,683	\$ 6,620,900
Operating expenses	<u>11,917,816</u>	<u>7,978,758</u>	<u>7,654,099</u>
Operating loss	(5,598,741)	(810,075)	(1,033,199)
Non-operating income (loss)	<u>1,569,339</u>	<u>(2,242,110)</u>	<u>(591,667)</u>
Change in net position	<u>\$ (4,029,402)</u>	<u>\$ (3,052,185)</u>	<u>\$ (1,624,866)</u>

During the year ended December 31, 2023, the Fund reported premiums earned of \$6,319,075 and investment income of \$1,569,339. Investment income during 2023 included favorable changes in the values of the Fund's investment portfolio, which is consistent with the overall market for similar investments. The Fund reported total operating expenses of \$11,917,816, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. During 2023, the Fund's Board of Trustees approved a one-time transfer of \$5 million to the Fund's affiliated reinsurer.

During 2022, the Fund reported premiums earned of \$7,168,683 and total operating expenses of \$7,978,758, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. During 2021, the Fund reported premiums earned of \$6,620,900 and operating expenses of \$7,654,099, which were similar in make-up to 2022.

The Fund's net position decreased during 2023, 2022, and 2021 by \$4,029,402, \$3,052,185, and \$1,624,866, respectively. See Statements of Revenues, Expenses and Changes in Net Position on page 8 of this report.

Financial Outlook

The Fund anticipates consistency in membership during the next fiscal year. Management emphasizes that the Fund's expenses are greatly impacted by claims losses and claims related expenses which are influenced by factors beyond management's control, including the rate of medical inflation, judicial rulings, and legislative changes.

Requests for Information

This financial report is designed to provide our members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,655,111	\$ 3,381,730
Investments (note 4)	32,082,655	30,708,907
Accounts receivable, net	1,578,949	1,512,386
Reinsurance receivable (note 3)	449,941	401,427
Accrued interest receivable	181,947	157,450
Note receivable from affiliate (note 2)	<u>2,333,200</u>	<u>2,655,174</u>
Total assets	<u>\$ 38,281,803</u>	<u>\$ 38,817,074</u>

LIABILITIES AND NET POSITION

Liabilities:		
Unpaid claims liability (note 3)	\$ 11,270,000	\$ 12,264,000
Unearned premiums	845,234	537,647
Due to affiliates (note 2)	4,634,860	47,114
Accounts payable and accrued expenses	<u>4,013,239</u>	<u>4,420,441</u>
Total liabilities	20,763,333	17,269,202
Net position, unrestricted	<u>17,518,470</u>	<u>21,547,872</u>
Total liabilities and net position	<u>\$ 38,281,803</u>	<u>\$ 38,817,074</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 6,319,075	\$ 7,168,683
Total operating revenues	<u>6,319,075</u>	<u>7,168,683</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	2,437,567	3,144,773
Administrative fees (note 2)	1,565,133	1,448,481
Service agent fees (note 2)	695,098	788,555
Reinsurance premiums (note 2)	1,721,948	1,953,466
Reinsurance special transfer	5,000,000	-
Second Injury Fund assessment	330,693	479,758
Office of Workers' Compensation assessment	89,497	87,660
Other	<u>77,880</u>	<u>76,065</u>
Total operating expenses	<u>11,917,816</u>	<u>7,978,758</u>
<u>OPERATING LOSS</u>	(5,598,741)	(810,075)
<u>NON-OPERATING (LOSS) INCOME</u>		
Investment (loss) income, net (note 4)	1,483,838	(2,278,154)
Interest income from affiliate (note 2)	85,501	36,044
	<u>1,569,339</u>	<u>(2,242,110)</u>
<u>CHANGE IN NET POSITION</u>	<u>(4,029,402)</u>	<u>(3,052,185)</u>
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>21,547,872</u>	<u>24,600,057</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 17,518,470</u>	<u>\$ 21,547,872</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from:		
Premium revenue collected	\$ 6,535,602	\$ 6,060,283
Member deductibles and other recoverables collected	948,227	2,019,019
Reinsurance recoverable	1,901,556	2,536,714
Cash paid to:		
Suppliers of services	(77,880)	(76,065)
Claims and claims expenses	(6,329,864)	(6,896,618)
Service agents and management fees	(2,316,257)	(1,429,066)
Reinsurance premiums	(2,078,176)	(2,381,194)
Assessments	(827,392)	(739,061)
Net cash used in operating activities	<u>(2,244,184)</u>	<u>(905,988)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(11,874,719)	(9,874,342)
Proceeds from sales and maturities of investments	11,132,523	8,254,055
Payments received on note receivable from affiliate	321,974	2,344,826
Interest income on note receivable from affiliate	85,501	36,044
Investment income received	852,286	742,903
Net cash provided by (used in) investing activities	<u>517,565</u>	<u>1,503,486</u>
Net change in cash and cash equivalents	(1,726,619)	597,498
Cash and cash equivalents at beginning of year	<u>3,381,730</u>	<u>2,784,232</u>
Cash and cash equivalents at end of year	<u>\$ 1,655,111</u>	<u>\$ 3,381,730</u>
Reconciliation of change in net position to net cash used in operating activities:		
Operating loss	\$ (5,598,741)	\$ (810,075)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in receivables and reinsurance receivable	(115,077)	(564,152)
Change in unpaid claims liability	(994,000)	678,000
Change in accounts payable and accrued expenses and unearned premiums	4,463,634	(209,761)
Net cash used in operating activities	<u>\$ (2,244,184)</u>	<u>\$ (905,988)</u>
Noncash investing activities		
Net change in fair value of investments	<u>\$ 806,259</u>	<u>\$ (2,798,384)</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the state of Louisiana are eligible to participate. The LMRMA-Workers' Compensation Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims. As of December 31, 2023 and 2022, there were 153 participating municipalities.

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

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

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of LMRFA is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Workers' Compensation Fund.

The various LMRMA and LMRFA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under GASB 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting* (continued)

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) *Operating / Non-Operating Revenue and Expenses*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating

(d) *Investments*

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

(e) *Premium Income and Accounts Receivable*

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

The Fund determines past-due accounts based on contractual terms and does not charge interest on the accounts. The Fund charges off receivables if management considers the collection of the outstanding balance to be doubtful. At each of the years ended December 31, 2023 and 2022, the allowance for doubtful accounts totaled \$49,402.

(f) *Unpaid Claims Liability*

The Fund provides workers' compensation coverage to members for claims incurred during the policy period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Unpaid Claims Liability* (continued)

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 claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund also included unallocated loss adjustment expenses in its reserve valuation process.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements.

(g) *Statements of Cash Flows*

For the purposes of the statements of cash flows and statement of net position, cash includes cash held in demand deposit accounts with banks.

(h) *Excess Reinsurance and Other Reimbursements*

The Fund uses excess reinsurance agreements to reduce its exposure to large losses on insured events. (See notes 2 and 5). Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as the direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be recovered from reinsurers. Additionally, the Fund is reimbursed by the Second Injury Fund of the State of Louisiana for certain claims. Such reimbursable claims arise when a covered participant has returned to the workforce after experiencing a covered disability and is disabled for a second time with a similar injury.

(i) *Income Taxes*

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

(j) *Insurance Related Assessments*

The Fund is subject to assessments made by the Louisiana Second Injury Fund and the Office of Workers' Compensation based on benefits paid each year. The Fund recognizes these assessments as expense when related claim benefits are incurred rather than paid. Changes in accruals for insurance related assessments are adjusted in the year assessment rate changes and claims estimates are made.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(l) Reclassification

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

2. RELATED PARTY TRANSACTIONS

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees are based on earned normal premiums (ENP) for the years ended December 31, 2023 and 2022. Beginning in 2022, the LMA administrative service agreement fee was amended to also include payment of the Fund's annual interest earnings. The respective percentages of the earned normal premiums as well as interest earnings are as follows:

	<u>2023</u>	<u>2022</u>
Expenses (and current fee structure):		
Administrative fees – LMA (12.50% of ENP)	\$ 789,884	\$ 896,085
Interest earnings	775,249	552,396
	<u>\$ 1,565,133</u>	<u>\$ 1,448,481</u>
Service agent fees - RMI (11.00% of ENP)	<u>\$ 695,098</u>	<u>\$ 788,555</u>
Reinsurance premium - LMRFA (27.25% of ENP)	<u>\$ 1,721,948</u>	<u>\$ 1,953,466</u>
Special Transfer – LMRFA**	<u>\$ 5,000,000</u>	<u>\$ -</u>
Reinsurance recoveries from LMRFA	<u>\$ 1,950,070</u>	<u>\$ 2,410,826</u>
Due to (from) affiliates:		
LMA	(\$ 221,420)	(\$ 198,595)
RMI	(119,089)	(85,888)
LMRFA	4,975,369	331,597
	<u>\$ 4,634,860</u>	<u>\$ 47,114</u>

** For the year ended December 31, 2023, the Board of Trustees approved a one-time special transfer of \$5,000,000 from the Fund to the LMRFA (see Note 5), which is recognized as an expense in these financial statements. Also see Note 3 for additional reinsurance receivable balances with LMRFA and estimated future recoverables.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2021, the Fund and LMRMA Public Liability Fund entered into an agreement with LMA to loan funds to LMA, a total of \$8 million, for the purpose of the purchase of an office building. The terms of the agreement dated December 20, 2021, require that LMA to pay the Fund \$5 million and the LMRMA Public Liability Fund \$3 million in principal with interest thereon at the initial rate per annum equal to the average yield on all of LMRMA investments as of December 31, 2021. LMA pledges the future administrative fees it receives from the Fund and the LMRMA Public Liability Fund as payment for the principal and interest on this note not to exceed \$1.5 million per year. The note is also secured by a mortgage on the property purchased and was reduced with net proceeds from the sale of the prior LMA office building during 2022. The terms also state that the interest rate shall be adjusted on January 1 each year beginning on January 1, 2023, based on the average yield on all of LMRMA investments for the then immediately preceding 12 months.

Interest and principal are payable in annual installments beginning on the 20th of December 2022 and each year thereafter until paid, with the payments varying as interest rate varies. The note receivable balance was \$2,333,200 and \$2,655,174 as of December 31, 2023 and 2022, respectively. Interest income recognized during 2023 and 2022 was \$85,501 and \$36,044, respectively, computed at an interest rate of 3.22% and 0.81%, respectively.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	\$ 41,714	\$ 40,890
Less: reinsurance recoverables	<u>29,450</u>	<u>29,304</u>
Liability for unpaid losses at beginning of year, net	<u>12,264</u>	<u>11,586</u>
Net incurred related to:		
Current year	4,244	4,435
Prior years	<u>(1,806)</u>	<u>(1,290)</u>
Total incurred	2,438	3,145
Net paid related to:		
Current year	1,017	743
Prior years	<u>2,415</u>	<u>1,724</u>
Total paid	<u>3,432</u>	<u>2,467</u>
Liability for unpaid losses at end of year, gross	41,912	41,714
Less: reinsurance recoverables (note 5)	<u>30,642</u>	<u>29,450</u>
Liability for unpaid losses at end of year, net	<u>\$ 11,270</u>	<u>\$ 12,264</u>

In addition to the estimated unpaid claims receivable from the reinsurers (primarily LMRFA), there are \$449,941 and \$401,427 of paid claims which are receivable from the reinsurer at December 31, 2023 and 2022, respectively. See Note 5.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

During 2023 and 2022, the Fund experienced favorable development, respectively, on unpaid claims liabilities established in prior years. The favorable development is due to claims severity estimates compared to prior estimates. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2023, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2023, will not vary from the above estimates, and such differences could be significant.

The Fund's claims payable have been discounted for the years ended December 31, 2023 and 2022, based on the Fund's anticipated payout patterns and a discount rate assumption of 3.0% and 2.5%, respectively, which is intended to approximate the investment earnings over the reserve payout period. The effect of the reserve discounts was \$1,282,000 and \$1,173,000 at December 31, 2023 and 2022, respectively.

The Fund is also subject to assessments by the Louisiana Second Injury Fund and Office of Workers Compensation each year based on the amount of assessable benefits paid each year. The Fund includes in accrued expenses and estimated liabilities to be paid for assessable benefits paid and estimated to be paid in future periods.

4. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2023 and 2022.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in bonds or debentures provided certain conditions are met regarding credit quality. Included in investments are money market accounts and repurchase agreements. The Fund's policy is to wire-transfer cash as needed from investments to support disbursements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2023 and 2022:

<u>Investment Type</u>	<u>2023</u>		<u>2022</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
U.S. Treasury bonds and notes	\$ 7,096,624	\$ 7,441,318	\$ 7,428,874	\$ 7,888,628
U.S. Government mortgage-backed securities	5,142,708	5,330,298	4,774,248	5,067,274
U.S. Agency debt obligations	9,036,198	9,627,282	8,144,048	8,926,344
Municipal bonds	6,440,023	6,751,323	6,234,904	6,796,180
Corporate bonds	3,770,484	3,965,235	3,697,146	4,036,472
Money market funds	<u>596,618</u>	<u>596,618</u>	<u>429,687</u>	<u>429,687</u>
TOTAL	<u>\$ 32,082,655</u>	<u>\$ 33,712,074</u>	<u>\$ 30,708,907</u>	<u>\$ 33,144,585</u>

The Fund's investments reflected a net unrealized loss at December 31, 2023 and 2022 of \$1,629,419 and \$2,435,678, respectively, which is attributed to the increases in the market interest rate environment which is further addressed below in Interest Rate Risk. Management expects to hold securities over a period sufficient for the interest rate related decline in fair value to recover and are not considered to be impaired.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government, municipal, and corporate debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market funds are not required to be rated.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

All of the Fund's investments with the exception of money market investments, and corporate and municipal bonds, are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Credit ratings as of December 31, 2023 and 2022 are as follows:

<u>2023</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 4,524,713	\$ 1,915,310
Corporate bonds	<u>894,024</u>	<u>2,876,460</u>
	<u>\$ 5,418,737</u>	<u>\$ 4,791,770</u>
<u>2022</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 4,391,044	\$ 1,843,860
Corporate bonds	<u>883,926</u>	<u>2,813,220</u>
	<u>\$ 5,274,970</u>	<u>\$ 4,657,080</u>

(1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.

(2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2023:

<u>INVESTMENT TYPE</u>	<u>INVESTMENT MATURITIES (in years)</u>				
	<u>Estimated Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater than 10</u>
U.S. Treasury bonds and notes	\$ 7,096,624	\$ 487,644	\$ 3,813,880	\$ 2,689,311	\$ 105,789
U.S. Government agency debt obligations	9,036,198	442,563	1,989,602	4,188,077	2,415,956
Municipal bonds	6,440,023	2,569,662	3,870,361	-	-
Corporate bonds	3,770,484	894,024	2,876,460	-	-
Money market funds	<u>596,618</u>	<u>596,618</u>	-	-	-
	<u>\$ 26,939,947</u>	<u>\$ 4,990,511</u>	<u>\$ 12,550,303</u>	<u>\$ 6,877,388</u>	<u>\$ 2,521,745</u>
U.S. Government mortgage-backed securities	<u>5,142,708</u>				
TOTAL	<u>\$ 32,082,655</u>				

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Investment income (loss) for the years ended December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 775,249	\$ 552,396
Realized losses, net	(97,670)	(32,166)
Unrealized gains (losses) arising during the year, net	<u>806,259</u>	<u>(2,798,384)</u>
	<u>\$ 1,483,838</u>	<u>\$ (2,278,154)</u>

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2023 and 2022:

December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 7,096,624	\$ -	\$ 7,096,624
U.S. Government mortgage-backed securities	-	5,142,708	5,142,708
U.S. Agency debt obligations	9,036,198	-	9,036,198
Municipal bonds	-	6,440,023	6,440,023
Corporate bonds	-	3,770,484	3,770,484
Money market funds	<u>596,618</u>	<u>-</u>	<u>596,618</u>
	<u>\$ 16,729,440</u>	<u>\$ 15,353,215</u>	<u>\$ 32,082,655</u>

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 7,428,874	\$ -	\$ 7,428,874
U.S. Government mortgage-backed securities	-	4,774,248	4,774,248
U.S. Agency debt obligations	8,144,048	-	8,144,048
Municipal bonds	-	6,234,904	6,234,904
Corporate bonds	-	3,697,146	3,697,146
Money market funds	<u>429,687</u>	<u>-</u>	<u>429,687</u>
	<u>\$ 16,002,609</u>	<u>\$ 14,706,298</u>	<u>\$ 30,708,907</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

The Fund and LMRFA represent a cooperative program for group funding and risk management of public liability, workers' compensation and accident and health claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claim obligations remains with the participants. LMRFA provides excess reinsurance to the Fund with the following limits:

Item I:	\$2,000,000 annual aggregate in excess of 80% of earned normal premium
Item II:	\$2,000,000 each and every loss in excess of \$175,000 each and every loss in accident years prior to 2012 and \$250,000 for 2012 and future years.

The following are condensed Statements of Net Position for LMRFA at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets	\$ 51,946,280	\$ 46,061,638
Liabilities	<u>45,626,140</u>	<u>40,323,221</u>
Net position	<u>\$ 6,337,140</u>	<u>\$ 5,738,417</u>

At December 31, 2023 and 2022, the Fund included approximately \$30.6 million and \$29.5 million, respectively, as recoverable from LMRFA (included in the liabilities above) which reduces the Fund's liabilities for anticipated losses (Note 3). As further described in Note 2, the Board of Trustees approved a one-time transfer of \$5 million to LMRFA which is included in the 2023 assets and net financial position in the above LMRFA condensed financial information. The Fund's financial statements have been prepared on the assumption LMRFA has financial resources to honor all of its financial obligations. Should LMRFA not be able to meet its financial obligations to the Fund, the Fund remains primarily obligated for the liabilities insured by LMRFA. Management continues to evaluate the amounts recoverable from LMRFA and believes the amounts are all recoverable.

Effective March 5, 2018, LMRFA purchased commercial reinsurance covering exposures incurred related to the Workers' Compensation Fund covering losses in excess of \$400,000 and is limited to 50% of \$1 million per occurrence for the period from March 5, 2018 to December 31, 2018. Effective January 1, 2019, LMRFA purchased coverage which covered the period from January 1, 2019 through December 31, 2022 covering losses in excess of \$400,000 and is limited to 50% of \$2 million per occurrence. Effective March 1, 2023, LMRFA purchased coverage which covered the period from March 1, 2023 through March 1, 2024 covering losses in excess of \$500,000 and is limited to \$750,000 per occurrence.

6. CONTINGENCIES

The Fund is involved in various insurance-related claims and legal actions arising from the normal conduct of business. Management of the Fund establishes estimated liabilities for reported and unreported contingencies. The Fund believes the outcome of these proceedings is mitigated and will not have a material effect on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2023
(Unaudited)

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense (net of loss assumed by reinsurers) incurred by the Fund as of the end of 2023 and as of the end of each of the last nine years. The table below does not include costs on estimated incurred claims related to unallocated loss adjustment expenses.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	(in thousands)									
ENP and investment income (loss)	\$ 7,888	\$ 4,927	\$ 6,029	\$ 8,872	\$ 8,904	\$ 9,144	\$ 10,547	\$ 10,847	\$ 8,270	\$ 10,119
Operating costs, unallocated	9,480	4,282	4,196	4,026	4,363	4,836	4,740	5,319	4,087	12,669
Estimated incurred claims and expense, end of policy year	4,499	4,697	3,772	4,530	4,346	4,379	4,670	4,653	5,107	6,286
Paid (cumulative) as of:										
End of policy year	-	743	586	1,021	832	971	993	903	811	1,198
One year later	-	1,261	1,367	1,957	2,180	2,308	2,415	2,111	1,944	3,071
Two years later	-	-	1,864	2,331	3,086	2,800	3,266	2,770	2,534	3,825
Three years later	-	-	-	2,787	3,304	3,212	3,702	3,199	3,042	4,637
Four years later	-	-	-	-	3,516	3,514	4,047	3,312	3,385	4,855
Five years later	-	-	-	-	-	3,699	4,246	3,504	3,507	5,004
Six years later	-	-	-	-	-	-	4,331	3,654	3,659	5,187
Seven years later	-	-	-	-	-	-	-	3,716	3,699	5,236
Eight years later	-	-	-	-	-	-	-	-	3,747	5,153
Nine years later	-	-	-	-	-	-	-	-	-	5,142
Estimated incurred claims and claims expense:										
End of policy year	4,499	4,697	3,772	4,530	4,346	4,379	4,670	4,653	5,107	6,286
One year later	-	2,942	3,367	3,902	4,407	4,674	4,705	4,084	4,595	5,979
Two years later	-	-	2,969	3,620	4,895	4,373	4,888	4,494	4,298	6,179
Three years later	-	-	-	3,600	4,490	4,315	4,861	4,247	4,244	6,284
Four years later	-	-	-	-	4,375	4,188	5,110	4,193	4,250	5,882
Five years later	-	-	-	-	-	4,174	4,993	4,188	4,231	5,680
Six years later	-	-	-	-	-	-	4,903	4,092	4,305	5,757
Seven years later	-	-	-	-	-	-	-	4,139	4,190	5,787
Eight years later	-	-	-	-	-	-	-	-	4,133	5,507
Nine years later	-	-	-	-	-	-	-	-	-	5,506
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(1,755)	(803)	(930)	29	(205)	233	(514)	(974)	(780)

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2023

Agency Head Name: John Gallagher

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

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

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

We have audited, in accordance with the 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, the financial statements the Louisiana Municipal Risk Management Agency - Workers' Compensation Fund (the Fund), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 and 2023-02 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02.

The Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

Findings – Financial Statements

2023-001

Non-compliance with State Audit Law

Criteria: In accordance with R.S. 24:513, the Louisiana Municipal Risk Management Agency Workers' Compensation Fund (the Fund) must have their financial statements audited in a timely manner. The due date of the audited financial statements is six months after the Fund's fiscal year end.

Condition: The Fund was required to have an audit completed by the filing deadline of June 30, 2024 (six months after its fiscal year end) and the Fund did not meet this filing deadline.

Cause: As a result of findings as indicated in 2023-002 below there were delays in the completion of the financial statement audit.

Effect: As of the date of this report, the Fund requested an extension until August 30, 2024, to file by the Louisiana Legislative Auditor. Untimely filing could cause noncompliance with state audit law.

Recommendation: Fund should ensure that all financial reporting has been completed in an accurate and timely manner to allow sufficient time for the auditor to complete their procedures in accordance with State Law and meet future deadlines.

Management response: We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

Findings– Financial Statements (continued)

2023-002

Design of Internal Control Over Financial Reporting

Criteria: Internal controls over financial reporting should be adequately designed to enable the Fund to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. Internal controls related to significant agreements and transactions should be in written form and communicated to appropriate personnel as to their application.

Condition: As part of the audit process, the auditors identified significant agreements related to risk sharing and limitation agreements with an affiliated entity were not written and material transactions and balances related to these agreements with the affiliated entity were applied inconsistently.

Cause: No written documentation of risk sharing agreements.

Effect: Significant adjustments were proposed in order for the financial statements to accurately reflect the Fund's financial position, operations, and cash flows.

Recommendation: All significant agreements with affiliated and third parties should be maintained in written form as approved by the appropriate governance body. Further, key terms and provisions of these agreements should be communicated to appropriate personnel in order for transactions to be processed in accordance with these agreements. There should be a review process in place to ensure personnel are processing transactions appropriately.

Management Response: We will maintain agreements with affiliated and third parties in written form as approved by the appropriate governance body. We will communicate to appropriate personnel provisions of the agreements in order for transactions to be processed appropriately.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

WORKERS' COMPENSATION FUND

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

August 6, 2024

RESPONSE TO FINDINGS IN 2023 AUDIT

2023-001 Non-compliance with State Audit Law

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

2023-002 Design of Internal Control Over Financial Reporting

We will maintain agreements with affiliated and third parties in written form as approved by the appropriate governance body. We will communicate to appropriate personnel provisions of the agreements in order for transactions to be processed appropriately.



George Murphy
LMRMA CFO

Administered by the Louisiana Municipal Association

(225)344-5001

(800)234-8274

FAX (225)344-3057

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2023



LOUISIANA MUNICIPAL RESERVE FUND AGENCY

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Reserve Fund Agency
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Reserve Fund Agency (the Fund), which comprise the statements of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Fund as for the year ended December 31, 2022, were audited by another auditor, whose report dated June 23, 2023, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2023 financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Reserve Fund Agency's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section. The Fund only reinsures risk of the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability and Workers' Compensation Funds which are related parties.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2023 by \$6,337,140 compared to \$5,738,417 as of December 31, 2022, which is a 10% increase from the previous year. This increase was driven by due from affiliates related to a special assessment. The assets of the Fund exceeded its liabilities at December 31, 2022 by \$5,738,417 compared to \$13,573,920 as of December 31, 2021, which is a 58% decrease from the previous year. This decrease was driven by higher claims experience resulting primarily from unfavorable development of loss reserves on prior policy years as well as decline in investment values due to market interest rate changes.
- At December 31, 2023, the Fund's assets totaled \$51,963,280, which consisted primarily of due from affiliates related to a special assessment and investment securities primarily composed of cash, direct and indirect investments in U.S. Government debt obligations, and corporate and municipal bonds. At December 31, 2022 and 2021, the Fund's assets totaled \$46,061,638 and \$51,537,975, respectively, which consisted primarily of investment securities primarily composed of cash, direct and indirect investments in U.S. Government debt obligations.
- The Fund reported gross earned premiums of \$3,524,834, \$3,562,644 and \$3,417,892 during the years ended December 31, 2023, 2022, and 2021, respectively. The change in the earned premium is a result of variations in premium income from both the Workers' Compensation Fund and the Public Liability Fund as a result of changes in their membership.
- During 2023, the board of trustees approved a one-time, special assessment paid from the two insured Funds in the amount of \$6 million.
- The Fund reported investment income of \$1,993,765 and investment losses of \$3,367,198 and \$805,389 during the years ended December 31, 2023, 2022 and 2021, respectively. The change in investment income or loss is attributed to fluctuations in the fair value in the investment portfolio based on overall market conditions.
- The Fund had an increase in net position of \$598,723 and a decrease in net position of \$7,835,503 and \$5,126,515 during the years ended December 31, 2023, 2022, and 2021, respectively. During 2023, the Fund received a special assessment of \$6,000,000 and had favorable market performance. During 2022 and 2021, the Fund experienced a decline in the market value of investments in both periods along with unfavorable development in loss reserves for both periods.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods like those used by private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statement of Revenues, Expenses, and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total assets	\$ 51,963,280	\$ 46,061,638	\$ 51,537,975
Total liabilities	<u>45,626,140</u>	<u>40,323,221</u>	<u>37,964,055</u>
Net position	<u>\$ 6,337,140</u>	<u>\$ 5,738,417</u>	<u>\$ 13,573,920</u>

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased approximately 13% and decreased approximately 10.6% during the years ended December 31, 2023 and 2022, respectively, due to increase in the due from affiliates account related to the special assessment and unfavorable market conditions, respectively. Liabilities increased by approximately 13% and 6.2% during the years ended December 31, 2023 and 2022, respectively, due to higher estimates of unpaid claims liability. Net position increased approximately 10% from 2022 to 2023 and decreased approximately 58% from 2021 to 2022.

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 9,524,834	\$ 3,562,644	\$ 3,417,892
Operating expenses	<u>10,919,876</u>	<u>8,030,949</u>	<u>7,739,018</u>
Operating loss	(1,395,042)	(4,468,305)	(4,321,126)
Non-operating income (loss)	<u>1,993,765</u>	<u>(3,367,198)</u>	<u>(805,389)</u>
Change in net position	<u>\$ 598,723</u>	<u>\$ (7,835,503)</u>	<u>\$ (5,126,515)</u>

During the years ended December 31, 2023, 2022, and 2021, the Fund reported premium earned of \$3,524,834, \$3,562,644, and \$3,417,892, respectively. Additionally, during 2023, the Fund earned an additional \$6 million for a special assessment from the Funds which are insured by the Fund. During the years ended December 31, 2023, 2022, and 2021, the Fund reported investment income of \$1,993,765 and investment losses of \$3,367,198 and \$805,389, respectively. Premiums earned vary based on the Worker's Compensation Fund and Public Liability Fund's underlying membership.

The Fund reported total expenses of \$10,919,876, \$8,030,949 and \$7,739,018 as of December 31, 2023, 2022, and 2021 respectively, which consisted primarily of claims expense and reinsurance expense. The 2023, 2022, and 2021 expenses reflect unfavorable loss development emerging during each year. The Fund experienced an operating loss of \$1,395,042 and an increase in net position of \$598,723 for the current year. See the Statements of Revenues, Expenses, and Changes in Net Position on page 8 of this report.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Reserve Fund Agency, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,279,642	\$ 910,303
Investments (note 4)	44,214,609	44,827,982
Accrued interest receivable	307,782	228,764
Due from affiliates (note 2)	<u>6,161,247</u>	<u>94,589</u>
Total assets	<u>\$ 51,963,280</u>	<u>\$ 46,061,638</u>

LIABILITIES AND NET POSITION

Liabilities:		
Unpaid claims liability (note 3)	\$ 45,614,000	\$ 40,311,000
Accrued expenses	<u>12,140</u>	<u>12,221</u>
Total liabilities	45,626,140	40,323,221
Net position, unrestricted	<u>6,337,140</u>	<u>5,738,417</u>
Total liabilities and net position	<u>\$ 51,963,280</u>	<u>\$ 46,061,638</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Premiums earned (note 2)	\$ 3,524,834	\$ 3,562,644
Special transfer (note 2)	<u>6,000,000</u>	<u>-</u>
Total operating revenues	<u>9,524,834</u>	<u>3,562,644</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	9,995,160	6,805,307
Professional fees and other	83,927	89,462
Reinsurance premium (note 5)	<u>840,789</u>	<u>1,136,180</u>
Total operating expenses	<u>10,919,876</u>	<u>8,030,949</u>
<u>OPERATING LOSS</u>	(1,395,042)	(4,468,305)
<u>NON-OPERATING INCOME (LOSS)</u>		
Investment income (loss), net (note 4)	<u>1,993,765</u>	<u>(3,367,198)</u>
<u>CHANGE IN NET POSITION</u>	598,723	(7,835,503)
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>5,738,417</u>	<u>13,573,920</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 6,337,140</u>	<u>\$ 5,738,417</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from:		
Premium revenue collected	\$ 3,458,176	\$ 2,822,000
Cash paid to:		
Suppliers of services	(84,008)	(77,421)
Claims and claims expenses	(4,692,160)	(3,548,174)
Reinsurance premiums	(840,789)	(1,136,180)
Net cash used in operating activities	<u>(2,158,781)</u>	<u>(1,939,775)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(17,768,609)	(5,999,288)
Proceeds from sales and maturities of investments	19,147,306	6,924,208
Investment income received	1,149,423	1,077,760
Net cash provided by investing activities	<u>2,528,120</u>	<u>2,002,680</u>
Net change in cash and cash equivalents	369,339	62,905
Cash and cash equivalents at beginning of year	<u>910,303</u>	<u>847,398</u>
Cash and cash equivalents at end of year	<u>\$ 1,279,642</u>	<u>\$ 910,303</u>
Reconciliation of change in net position to net cash used in operating activities:		
Operating loss	\$ (1,395,042)	\$ (4,468,305)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in receivables and due from affiliates	(6,066,658)	(476,691)
Change in unpaid claims liability	5,303,000	2,993,000
Change in accrued expenses	(81)	12,221
Net cash used in operating activities	<u>\$ (2,158,781)</u>	<u>\$ (1,939,775)</u>
Noncash investing activities		
Net change in fair value of investments	<u>\$ 1,387,976</u>	<u>\$ (4,125,460)</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Reserve Fund Agency (LMRFA or the Fund) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the Fund is vested in the Executive Board of LMA. LMRFA reinsures the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability Fund and Workers' Compensation.

LMRMA was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate setting policies have been established by the Board of LMRMA after actuarial consultation. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

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

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

The various LMRMA Funds, LMA, RMI, and LMRFA are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under GASB 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Accounting (continued)

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) Operating/Non-Operating Revenue and Expense

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(d) Investments

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

(e) Premium Income

Premium income of LMRFA is based on a percentage of LMRMA workers' compensation and public liability premiums (see note 2). Premiums are earned over the period of providing excess insurance coverage. Pursuant to the reinsurance agreements, the LMRMA Funds are responsible for all of LMRFA's claims servicing and administrative costs. Acquisition costs associated with new and renewal contracts are expensed when incurred.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Unpaid Claims Liability*

The policy liabilities reinsured by the Fund are for claims incurred during the benefit period, regardless of when the claims are reported. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as public liability. 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. The Fund also included unallocated loss adjustment expenses in its reserve valuation process.

A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expenses are presented at present value in the financial statements.

(g) *Excess Reinsurance*

The Fund uses excess reinsurance to reduce its exposure to large losses on insured events on certain Worker's Compensation claims. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

(h) *Statements of Cash Flows*

For the purpose of the statements of cash flows and statement of net position, cash includes cash held in demand deposit accounts with banks.

(i) *Income Taxes*

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

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

The Fund provides reinsurance coverage to the LMRMA Public Liability and Workers' Compensation Funds as further described in Note 5. The fees are based on earned premiums and earned normal premiums. The respective percentages of the earned normal premiums (ENP) and earned standard premiums (ESP) are as follows:

	2023		2022	
	Fee Basis	Amount	Fee Basis	Amount
Premium income:				
LMRMA:				
Public Liability	16.55% ESP	\$ 1,802,886	16.55% ESP	\$ 1,609,178
Workers' Compensation	27.25% ENP	1,721,948	27.25% ENP	1,953,466
		<u>\$ 3,524,834</u>		<u>\$ 3,562,644</u>
Special transfer:				
Public Liability		\$ 1,000,000		\$ -
Workers' Compensation		5,000,000		-
		<u>\$ 6,000,000</u>		<u>\$ -</u>
Due (to) from affiliates:				
LMRMA:				
Public Liability		\$ 1,185,878		(\$ 237,008)
Workers' Compensation		4,975,369		331,597
		<u>\$ 6,161,247</u>		<u>\$ 94,589</u>

As reflected in the table above, the Fund receives all of its revenue from LMRMA affiliated entities which are insured by the Fund. All of the management and administrative activities of the Fund are performed by affiliates and no separate fees are paid for these services. The Fund is dependent on these services from affiliates.

The Fund recognized a special transfer from these affiliated entities effective for 2023 to improve the financial position of LMRFA. This special transfer was approved by the boards of LMRMA and LMRFA to be effective for 2023 and paid in 2024. This transfer is considered to be significant to the Fund's financial position. This transfer was a one-time transfer and there are no containing commitments the Fund will receive any additional transfers in the future. The Fund and the LMRMA entities that it insures are dependent on each other and the financial viability of each party to honor the financial obligations and insured risks between each entity.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	\$ 42,661	\$ 39,070
Less: Reinsurance recoverables	<u>2,350</u>	<u>1,752</u>
Liability for unpaid losses at beginning of year, net	<u>40,311</u>	<u>37,318</u>
Net incurred related to:		
Current year	6,996	4,313
Prior years	<u>2,999</u>	<u>2,492</u>
Total incurred	<u>9,995</u>	<u>6,805</u>
Net paid related to:		
Current year	59	-
Prior years	<u>4,633</u>	<u>3,812</u>
Total paid	<u>4,692</u>	<u>3,812</u>
Liability for unpaid losses at end of year, gross	48,573	42,661
Less: Reinsurance recoverables	<u>2,959</u>	<u>2,350</u>
Liability for unpaid losses at end of year, net	<u>\$ 45,614</u>	<u>\$ 40,311</u>

The above year end reserve liabilities were comprised coverage types from each of the following LMRMA Funds:

	<u>2023</u>	<u>2022</u>
	(Amounts in thousands)	
Workers' Compensation	\$ 30,462	\$ 29,450
Public Liability	<u>14,972</u>	<u>10,861</u>
	<u>\$ 45,614</u>	<u>\$ 40,311</u>

During 2023 and 2022, the Fund experienced unfavorable development related to the assumed workers' compensation and public liability unpaid claims liabilities resulting from actual reported losses being higher than expected at the excess layer. The liability for unpaid losses has been reduced in 2023 and 2022 for estimated amounts recoverable from a commercial reinsurance policy on Workers' Compensation (see Note 5). In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2023 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2023 will not vary from the above estimates, and such differences could be significant.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

The Fund's claims payable have been discounted for December 31, 2023 and 2022, based on the Fund's anticipated payout patterns and discount rate assumptions of 3.0% and 2.5%, respectively, which is intended to approximate the interest earnings over the reserve payout period. The effect of the reserve discounts was \$12,149,000 and \$9,465,000 at December 31, 2023 and 2022, respectively.

4. DEPOSITS AND INVESTMENTS

LMRFA must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2023 and 2022.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in other bonds or debentures provided certain conditions are met regarding credit quality. Included in investments are certificates of deposit, money market accounts, and repurchase agreements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Fund's exposure to each type.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2023 and 2022:

<u>Investment Type</u>	<u>2023</u>		<u>2022</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
U.S. Government mortgage-backed securities	\$ 7,692,380	\$ 7,925,535	\$ 6,430,812	\$ 6,803,597
U.S. Government agency debt obligations	20,431,902	21,490,315	16,694,019	18,171,129
U.S. Treasury bonds and notes	3,250,480	3,448,076	6,886,289	7,366,112
Municipal bonds	5,928,062	6,158,680	8,878,317	9,448,953
Corporate bonds	5,417,748	5,692,524	5,313,504	5,795,683
Money market funds	1,494,037	1,494,307	625,041	625,041
TOTAL	<u>\$ 44,214,609</u>	<u>\$ 46,209,167</u>	<u>\$ 44,827,982</u>	<u>\$ 48,210,515</u>

The Fund's investments reflected a net unrealized loss at December 31, 2023 of \$1,994,558 which is attributed to the increases in the market interest rate environment which is further addressed below in Interest Rate Risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government, municipal and corporate debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

All of the Fund's investments, with the exception of money market investments, and corporate and municipal bonds, are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Credit ratings as of December 31, 2023 and 2022 are as follows:

<u>2023</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 5,143,685	\$ 784,377
Corporate bonds	1,390,704	4,027,044
	<u>\$ 6,534,389</u>	<u>\$ 4,811,421</u>
<u>2022</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 6,676,552	\$ 2,201,765
Corporate bonds	1,374,996	3,938,508
	<u>\$ 8,051,548</u>	<u>\$ 6,140,273</u>

- (1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.
- (2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2023:

<u>INVESTMENT TYPE</u>	<u>INVESTMENT MATURITIES (in years)</u>				
	<u>Estimated Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater than 10</u>
U.S. Government agency debt obligations	\$ 20,431,902	3,799,323	6,572,064	10,060,515	-
U.S. Treasury bonds and notes	3,250,480	54,463	2,126,913	1,069,104	-
Municipal bonds	5,928,062	1,233,808	4,694,254	-	-
Corporate bonds	5,417,748	1,390,704	4,027,044	-	-
Money market funds	1,494,037	1,494,037	-	-	-
	<u>\$ 36,522,229</u>	<u>\$ 7,972,335</u>	<u>\$ 17,420,275</u>	<u>\$ 11,129,619</u>	<u>\$ -</u>
U.S. Government Mortgage- backed Securities	<u>7,692,380</u>				
Total	<u>\$ 44,214,609</u>				

Net investment income (loss) for the years ended December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 946,026	\$ 792,712
Net realized losses – net	(340,237)	(34,450)
Unrealized gains (losses) arising during the year	<u>1,387,976</u>	<u>(4,125,460)</u>
	<u>\$ 1,993,765</u>	<u>\$ (3,367,198)</u>

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2023 and 2022:

December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 3,250,480	\$ -	\$ 3,250,480
U.S. Government mortgage- backed securities	-	7,692,380	7,692,380
U.S. Agency debt obligations	20,431,902	-	20,431,902
Municipals bonds	-	5,928,062	5,928,062
Corporate bonds	-	5,417,748	5,417,748
Treasury bills/money market funds	1,494,037	-	1,494,037
	<u>\$25,176,419</u>	<u>\$ 19,038,190</u>	<u>\$ 44,214,609</u>

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 6,886,289	\$ -	\$ 6,886,289
U.S. Government mortgage- backed securities	-	6,430,812	6,430,812
U.S. Agency debt obligations	16,694,019	-	16,694,019
Municipals bonds	-	8,878,317	8,878,317
Corporate bonds	-	5,313,504	5,313,504
Treasury bills/money market funds	625,041	-	625,041
	<u>\$ 24,205,349</u>	<u>\$ 20,622,633</u>	<u>\$ 44,827,982</u>

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

LMRMA and LMRFA represent a cooperative program for group funding and risk management of public liability, workers' compensation, and accident and health risks of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants.

Ceded:

LMRFA obtained commercial reinsurance to cover a portion of workers' compensation medical losses for the periods January 1, 1995, through December 31, 2001, which were subsequently commuted.

A summary of recent commercial reinsurance policies is below:

Period Covered	Fund Retention	Aggregate Limit	Per Occurrence Limit
3/5/2018-12/31/2018	\$ 400,000	\$ 4,050,000	50% of \$1 million
1/1/2019-12/31/2019	400,000	5,370,000	50% of \$2 million
1/1/2020-12/31/2020	400,000	5,625,000	50% of \$2 million
1/1/2021-12/31/2021	400,000	5,840,000	50% of \$2 million
1/1/2022-12/31/2022	400,000	6,270,000	50% of \$2 million
3/1/2023-12/31/2023	500,000	3,000,000	\$750,000

Reinsurance expense totaled \$840,789 and \$1,136,180 for the years ended December 31, 2023 and 2022, respectively. During 2023 and 2022, claims reimbursements of \$0 and \$61,234, respectively, have been recognized for amounts related to reinsurance policies. As of December 31, 2023 and 2022, unpaid claims liabilities have been reduced by estimated reinsurance recoverables as described in Note 3.

Assumed:

LMRFA provided excess reinsurance to LMRMA's Workers' Compensation and Public Liability Funds. The risks assumed have been periodically adjusted by the parties and included the following coverage limits for the years ended December 31, 2023 and 2022.

Workers' Compensation Fund

Item I: \$2,000,000 annual aggregate in excess of 80% of earned normal premium

Item II: \$2,000,000 each and every loss in excess of \$175,000 each and every loss in accident years prior to 2012 and \$250,000 for 2012 and future years.

Public Liability Fund

Item I: \$5,000,000 annual aggregate in excess of 65% of earned normal premium

Item II: Each and every loss in excess of \$100,000 each and every loss in accident years prior to 2012 and \$150,000 for 2012 future years.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

DECEMBER 31, 2023

(Unaudited)

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense incurred by the Fund as of the end of 2023 and as of the end of each of the last nine years.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	(in thousands)									
ENP and investment income	\$ 11,519	\$ 195	2,613	\$ 6,497	\$ 6,581	\$ 4,697	\$ 5,216	\$ 5,311	\$ 9,962	\$ 9,910
Operating costs, unallocated	925	1,226	1,130	1,327	1,235	1,429	82	86	66	87
Estimated incurred claims and expense, end of policy year	8,384	5,267	3,842	4,822	4,261	4,642	6,012	7,038	6,695	9,072
Paid (cumulative) as of:										
End of policy year	59	-	-	61	-	81	334	-	-	-
One year later	-	314	78	1,084	136	505	783	138	291	228
Two years later	-	-	715	1,101	175	722	1,737	1,418	859	830
Three years later	-	-	-	1,350	412	1,011	1,816	1,884	1,710	1,440
Four years later	-	-	-	-	764	1,921	480	2,247	2,304	1,753
Five years later	-	-	-	-	-	3,026	2,477	437	2,529	2,000
Six years later	-	-	-	-	-	-	3,446	2,514	1,206	2,308
Seven years later	-	-	-	-	-	-	-	2,626	3,602	576
Eight years later	-	-	-	-	-	-	-	-	3,684	2,714
Nine years later	-	-	-	-	-	-	-	-	-	2,819
Estimated incurred claims and claims expense:										
End of policy year	8,384	5,267	3,842	4,822	4,261	4,642	6,012	7,038	6,695	9,072
One year later	-	5,164	4,265	4,210	3,581	5,111	5,018	6,454	6,136	6,747
Two years later	-	-	4,364	5,024	3,498	4,491	5,449	5,080	5,269	6,113
Three years later	-	-	-	4,490	3,469	4,757	4,769	4,802	6,352	4,816
Four years later	-	-	-	-	4,421	4,891	5,730	4,831	5,803	4,443
Five years later	-	-	-	-	-	5,810	6,871	4,688	5,526	4,349
Six years later	-	-	-	-	-	-	6,717	5,162	6,523	4,216
Seven years later	-	-	-	-	-	-	-	5,365	6,555	4,907
Eight years later	-	-	-	-	-	-	-	-	6,504	4,849
Nine years later	-	-	-	-	-	-	-	-	-	4,851
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(103)	522	(332)	160	1,168	705	(1,673)	(191)	(4,221)

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2023

Agency Head Name: John Gallagher

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

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

Officers and Trustees
Louisiana Municipal Reserve Fund Agency
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the Louisiana Municipal Reserve Fund Agency (the Fund) which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02.

The Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

Findings – Financial Statements

2023-001

Non-compliance with State Audit Law

Criteria: In accordance with R.S. 24:513, the Louisiana Municipal Reserve Fund Agency (the Fund) must have their financial statements audited in a timely manner. The due date of the audited financial statements is six months after the Fund’s fiscal year end.

Condition: The Fund was required to have an audit completed by the filing deadline of June 30, 2024 (six months after its fiscal year end) and the Fund did not meet this filing deadline.

Cause: As a result of findings as indicated in 2023-002 below, there were delays in the completion of the financial statement audit.

Effect: As of the date of this report, the Fund requested an extension until August 30, 2024, to file by the Louisiana Legislative Auditor. Untimely filing could cause noncompliance with state audit law.

Recommendation: The Fund should ensure that all financial reporting has been completed in an accurate and timely manner to allow sufficient time for the auditor to complete their procedures in accordance with State Law and meet future deadlines.

Management response: We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

Findings – Financial Statements (continued)

2023-002

Design of Internal Control Over Financial Reporting

Criteria:	Internal controls over financial reporting should be adequately designed to enable the Fund to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. Internal controls related to significant agreements and transactions should be in written form and communicated to appropriate personnel as to their application.
Condition:	As part of the audit process, the auditors identified significant agreements related to risk sharing and limitation agreements with an affiliated entity were not written and material transactions and balances related to these agreements with the affiliated entity were applied inconsistently.
Cause:	No written documentation of risk sharing agreements.
Effect:	Significant adjustments were proposed in order for the financial statements to accurately reflect the Fund's financial position, operations, and cash flows.
Recommendation:	All significant agreements with affiliated and third parties should be maintained in written form as approved by the appropriate governance body. Further, key terms and provisions of these agreements should be communicated to appropriate personnel in order for transactions to be processed in accordance with these agreements. There should be a review process in place to ensure personnel are processing transactions appropriately.
Management response:	We will maintain agreements with affiliated and third parties in written form as approved by the appropriate governance body. We will communicate to appropriate personnel provisions of the agreements in order for transactions to be processed appropriately.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

RESERVE FUND

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

August 6, 2024

RESPONSE TO FINDINGS IN 2023 AUDIT

2023-001 Non-compliance with State Audit Law

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

2023-002 Design of Internal Control Over Financial Reporting

We will maintain agreements with affiliated and third parties in written form as approved by the appropriate governance body. We will communicate to appropriate personnel provisions of the agreements in order for transactions to be processed appropriately.



George Murphy
LMRMA CFO

Administered by the Louisiana Municipal Association

(225)344-5001

(800)234-8274

FAX (225)344-3057

EISNERAMPER

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2023



LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Association
Unemployment Compensation Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Louisiana Municipal Association - Unemployment Compensation Fund (the Fund), which comprise the statements of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Fund as of and for the year ended December 31, 2022, were audited by another auditor, whose report dated June 23, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2023 financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer included on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 16, 2024, 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 grant agreements and other matters which appears on pages 18 and 19. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Association - Unemployment Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2023 by \$5,219,366 compared to \$4,842,225 at December 31, 2022, which is approximately a 7.8% increase from the previous year. The assets of the Fund exceeded its liabilities at December 31, 2022 by \$4,842,226 compared to \$5,035,000 at December 31, 2021, which is approximately a 3.8% decrease from the previous year.
- At December 31, 2023, 2022, and 2021, the Fund's assets totaled \$5,645,144, \$5,235,528, and \$5,466,392, respectively, which consisted primarily of cash and investments.
- The Fund reported premiums earned of \$426,434, \$413,566, and \$387,603 during the years ended December 31, 2023, 2022, and 2021, respectively. Change in net position was an increase of \$377,141 in 2023, a decrease of \$192,775 in 2022, and an increase of \$96,539 in 2021.
- The Fund reported investment gain of \$223,941 and investment losses of \$327,653 and \$68,990 during the years ended December 31, 2023, 2022, and 2021, respectively. The investment gains and losses are attributed primarily to fluctuations in market values of the investment portfolio.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Position includes all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). These statements provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in them. The net position (difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total assets	\$ 5,645,144	\$ 5,235,528	\$ 5,466,392
Total liabilities	<u>425,778</u>	<u>393,303</u>	<u>431,392</u>
Net position	<u>\$ 5,219,366</u>	<u>\$ 4,842,225</u>	<u>\$ 5,035,000</u>

The Fund's total assets consist almost entirely of investments in U.S. Treasury and U.S. Agency securities and cash equivalents. The Fund's liabilities consist of estimated benefits and related administration costs payable at year end.

LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

**Condensed Statements of Revenues and Expenses and Changes in Net Position
for the Years Ended December 31, 2023, 2022, and 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 426,434	\$ 413,566	\$ 387,603
Operating expenses	<u>273,234</u>	<u>278,688</u>	<u>222,074</u>
Operating income	153,200	134,878	165,529
Non-operating income (loss)	<u>223,941</u>	<u>(327,653)</u>	<u>(68,990)</u>
Change in net position	<u>\$ 377,141</u>	<u>\$ (192,775)</u>	<u>\$ 96,539</u>

Operating revenues increased by approximately 3% from the year ended December 31, 2022 to 2023 and increased by approximately 7% from the year ended December 31, 2021 to 2022. Claims expense increased approximately 5% from the year ended December 31, 2022 to 2023 and approximately 38% from the year ended December 31, 2021 to 2022 as a result of an increase in unemployment claims incurred. Due to the slight increase in revenues and slight decrease in expenses offset by the increase in investment income, the Fund's net position for 2023 increased by \$377,141.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Association – Unemployment Compensation Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents (note 2)	\$ 364,026	\$ 367,574
Investments (note 2)	5,139,696	4,738,227
Accounts receivable	110,507	107,489
Accrued interest receivable	<u>30,915</u>	<u>22,238</u>
Total Assets	<u>\$ 5,645,144</u>	<u>\$ 5,235,528</u>
Liabilities		
Unpaid claims liability (note 3)	\$ 350,000	\$ 350,000
Accrued expenses	<u>75,778</u>	<u>43,303</u>
Total Liabilities	425,778	393,303
Net position, unrestricted	<u>5,219,366</u>	<u>4,842,225</u>
Total liabilities and net position	<u>\$ 5,645,144</u>	<u>\$ 5,235,528</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 426,434	\$ 413,566
Total operating revenues	<u>426,434</u>	<u>413,566</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	193,692	184,849
Service agent fees	51,402	65,237
Miscellaneous	28,140	28,602
Total operating expenses	<u>273,234</u>	<u>278,688</u>
<u>OPERATING INCOME</u>	153,200	134,878
<u>NON-OPERATING INCOME (LOSS)</u>		
Investment income (loss) - net	<u>223,941</u>	<u>(327,653)</u>
<u>CHANGE IN NET POSITION</u>	377,141	(192,775)
NET POSITION - BEGINNING OF YEAR	<u>4,842,225</u>	<u>5,035,000</u>
NET POSITION - END OF YEAR	<u>\$ 5,219,366</u>	<u>\$ 4,842,225</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from:		
Premium revenues	\$ 423,613	\$ 421,634
Interest income	6,280	2,127
Cash paid to:		
Claims and claims expenses	(175,562)	(235,743)
Other expenses	<u>(71,674)</u>	<u>(89,343)</u>
Net cash provided by operating activities	<u>182,657</u>	<u>98,675</u>
Cash flows from investing activities:		
Purchases of investments	(2,073,793)	(1,702,258)
Proceeds from sale or maturity of investments	1,752,298	1,352,127
Investment income received	<u>135,290</u>	<u>102,557</u>
Net cash used in investing activities	<u>(186,205)</u>	<u>(247,574)</u>
Net change in cash	(3,548)	(148,899)
Cash, beginning of year	<u>367,574</u>	<u>516,473</u>
Cash, end of year	<u>\$ 364,026</u>	<u>\$ 367,574</u>
Reconciliation of change in net position to net cash provided by operating activities:		
Operating income	153,200	134,878
Adjustments to reconcile operating income to net cash provided by operating activities:		
Accounts receivable	(3,018)	1,886
Accrued expenses and unpaid claims liability	<u>32,475</u>	<u>(38,089)</u>
Net cash provided by operating activities	<u>\$ 182,657</u>	<u>\$ 98,675</u>
Noncash investing activities		
Net change in fair value of investments	<u>\$ 107,426</u>	<u>\$ (408,184)</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) *Background and Financial Statement Presentation*

Louisiana Municipal Association - Unemployment Compensation Fund (the Fund) was formed under Louisiana Revised Statutes 23:1552. The Fund consists of Louisiana municipalities who have joined together through self-insurance agreements to provide unemployment compensation fund insurance to member municipalities. Administration of the Fund is vested in the Executive Board of the Louisiana Municipal Association (LMA). If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

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

As of December 31, 2023, there were approximately 6,000 participants and 143 participating municipalities. As of December 31, 2022, there were approximately 6,800 participants and 143 participating municipalities.

The Fund and LMA are affiliated through common membership and management control. Although both of these entities are related parties, their net position is available only to the respective entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) *Basis of Accounting*

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Accounting (continued)

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) Operating / Non-operating Revenues and Expenses

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(d) Cash and Cash Equivalents

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

(e) Investments

Investments are reported at estimated fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in net investment income. Investments include money market accounts, U.S. Government and Agency obligations, corporate and municipal bonds, and U.S. Treasury securities.

(f) Unpaid Claims Liability

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

(g) Income Taxes

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

(h) Premium Income and Accounts Receivable

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

The Fund considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(j) *Reclassification*

Certain amounts in the 2022 financial statements have been reclassified to conform with the current year presentation.

2. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund is in compliance with these revised provisions during the years ended December 31, 2023 and 2022.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in other bonds or debentures provided certain conditions are met regarding credit quality. Included in investments are money market accounts and repurchase agreements.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31:

<u>Investment Type</u>	<u>2023</u>		<u>2022</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
U.S. Treasury bonds and notes	\$ 1,463,957	\$ 1,545,844	\$ 1,309,285	\$ 1,409,930
U.S. Government mortgage-backed securities	843,094	865,901	737,170	774,408
U.S. Agency debt obligations	1,761,131	1,852,918	1,647,984	1,775,803
Money market funds	129,979	129,979	74,494	74,494
Corporate bonds	478,761	503,235	469,509	512,373
Municipal bonds	462,774	479,750	499,785	536,578
TOTAL	<u>\$ 5,139,696</u>	<u>\$ 5,377,627</u>	<u>\$ 4,738,227</u>	<u>\$ 5,083,586</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government, municipal, and corporate debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a good tool with which to assess credit risk on debt obligations. U.S. Government debt securities are not required to be rated.

All of the Fund's investments with the exception of money market investments, and corporate and municipal bonds, are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (continued)

Credit Risk (continued)

Credit ratings as of December 31, 2023 and 2022 are as follows:

<u>2023</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 360,241	\$ 102,533
Corporate bonds	119,203	359,558
	<u>\$ 479,444</u>	<u>\$ 462,091</u>
<u>2022</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 499,785	\$ -
Corporate bonds	117,857	351,652
	<u>\$ 617,642</u>	<u>\$ 351,652</u>

- (1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.
(2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2023:

	<u>Estimated</u>	<u>Less</u>	<u>1 – 5 Years</u>	<u>5 – 10 Years</u>	<u>Over</u>
	<u>Fair Value</u>	<u>Than 1 Year</u>			<u>10 Years</u>
U.S. Treasury bonds and notes	\$ 1,463,957	\$ 363,684	\$ 589,481	\$ 510,792	\$ -
U.S. Agency debt obligations	1,761,131	378,755	475,572	906,804	-
Money market funds	129,979	129,979	-	-	-
Municipal bonds	462,774	99,465	363,309	-	-
Corporate bonds	<u>478,761</u>	<u>119,203</u>	<u>359,558</u>	<u>-</u>	<u>-</u>
	<u>4,296,602</u>	<u>\$ 1,091,086</u>	<u>\$ 1,787,920</u>	<u>\$ 1,417,596</u>	<u>\$ -</u>
U.S. Government mortgage-backed securities	<u>843,094</u>				
TOTAL	<u>\$ 5,139,696</u>				

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

Investment income (loss) for the years ended December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 130,072	\$ 84,509
Net realized loss	(13,557)	(3,978)
Unrealized net gain (loss) arising during the year	<u>107,426</u>	<u>(408,184)</u>
	<u>\$ 223,941</u>	<u>\$ (327,653)</u>

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2023 and 2022:

December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 1,463,957	\$ -	\$ 1,463,957
U.S. Government mortgage- backed securities	-	843,094	843,094
U.S. Agency debt obligations	1,761,131	-	1,761,131
Money market funds	129,979	-	129,979
Corporate bonds	-	478,761	478,761
Municipal bonds	-	462,774	462,774
	<u>\$ 3,355,067</u>	<u>\$ 1,784,629</u>	<u>\$ 5,139,696</u>

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (continued)

Fair Value (continued)

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 1,309,285	\$ -	\$ 1,309,285
U.S. Government mortgage- backed securities	-	737,170	737,170
U.S. Agency debt obligations	1,647,984	-	1,647,984
Money market funds	74,494	-	74,494
Corporate bonds	-	469,509	469,509
Municipal bonds	-	499,785	499,785
	<u>\$ 3,031,763</u>	<u>\$ 1,706,464</u>	<u>\$ 4,738,227</u>

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liability for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(in thousands)	
Unpaid claims and claims adjustment expenses liability at beginning of year	<u>\$ 350</u>	<u>\$ 350</u>
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current year	<u>194</u>	<u>185</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of current year	194	185
Claims and claim adjustment expenses attributable to insured events of prior years	<u>-</u>	<u>-</u>
Total payments	<u>194</u>	<u>185</u>
Total unpaid claims and claims adjustment expenses liability at end of year	<u>\$ 350</u>	<u>\$ 350</u>

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2023

Agency Head Name: John Gallagher

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by Agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

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

Officers and Trustees
Louisiana Municipal Association
Unemployment Compensation Fund
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of Louisiana Municipal Association - Unemployment Compensation Fund (the Fund), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2023-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

The Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying schedule of findings. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024



LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

SCHEDULE OF FINDINGS AND RESPONSES

Findings – Financial Statements

2023-001

Non-compliance with State Audit Law

Criteria:

In accordance with R.S. 24:513, the Louisiana Municipal Risk Management Agency Unemployment Fund (the Fund) must have their financial statements audited in a timely manner. The due date of the audited financial statements is six months after the Fund's fiscal year end.

Condition:

The Fund was required to have an audit completed by the filing deadline of June 30, 2024 (six months after its fiscal year end) and the Fund did not meet this filing deadline.

Cause:

The Fund is a part of an affiliated group through common membership and management control. Delays in reporting results for certain of affiliates caused delays in the audit process and resulted in the Fund's late filing.

Effect:

As of the date of this report, the Fund has requested an extension until August 30, 2024, to file with the Louisiana Legislative Auditor. Untimely filing could cause noncompliance with state audit law.

Recommendation:

Fund should ensure that all financial reporting has been completed in an accurate and timely manner to allow sufficient time for the auditor to complete their procedures in accordance with State Law and meet future deadlines.

Management response:

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

August 6, 2024

RESPONSE TO FINDINGS IN 2023 AUDIT

2023-001 Non-compliance with State Audit Law

We will ensure that all financial reporting will be complete in an accurate and timely and accurate manner.



George Murphy
LMA CFO

Administered by the Louisiana Municipal Association

(225)344-5001

(800)234-8274

FAX (225)344-3057

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Board of Directors of the Louisiana Municipal Association (LMA) and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of the Entity for the fiscal period January 1, 2023 through December 31, 2023. The Entity's management is responsible for those C/C areas identified in the SAUPs. The LMA Insurance Risk Pools consist of the following funds and will collectively be referred to as the Entity or the Funds:

- Louisiana Municipal Reserve Fund Agency
- Louisiana Municipal Risk Management Agency Public Liability Fund
- Louisiana Municipal Risk Management Agency Workers' Compensation Fund
- Louisiana Municipal Association – Unemployment Compensation Fund
- Louisiana Municipal Risk Management Agency – Accident and Health Fund

The Louisiana Municipal Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by Louisiana Municipal Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of the Louisiana Municipal Association for the fiscal period January 1, 2023 through December 31, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Louisiana Municipal Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



EISNERAMPER LLP
Baton Rouge, Louisiana
August 16, 2024

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2023

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted" or for step 13 "we performed the procedure and discussed the results with management"*. If not, then a description of the exception ensues.

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

The Entity does not have personnel and do not maintain written policies or procedures, instead, they follow the policies and procedures of Louisiana Municipal Association.

- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Not applicable, see 1A.

- ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

Not applicable, see 1A.

- iii. **Disbursements**, including processing, reviewing, and approving

Not applicable, see 1A.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Not applicable, see 1A.

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Not applicable, see 1A.

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Not applicable, see 1A.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2023

Schedule A

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Not applicable, see 1A.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Not applicable, see 1A.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable, see 1A.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable, see 1A.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Not applicable, see 1A.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable, see 1A.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exception noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2023

Schedule A

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exception noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exception noted.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exception noted.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

A listing of bank accounts was provided and included a total of 5 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected all 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending August 31, 2023, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

No exceptions noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2023

Schedule A

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

There were outstanding checks aged greater than 12 months with no documentation from management that the outstanding checks have been researched. Exception noted.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 5 deposit sites. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below on the 5 deposit sites.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4A was provided and included one collection location for four funds and one lockbox location for another fund.. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. Employees responsible for cash collections do not share cash drawers/registers;

Not applicable.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

No exceptions noted.

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

Excluding the lockbox transactions, the same employee is responsible for depositing the cash in the bank and recording the related transaction. Exception noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2023

Schedule A

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

The Entity stated that all employees who have access to cash are bonded and/or covered under the Entity's insurance policy.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected 2 deposit dates for one bank account selected in procedure #3A. We obtained supporting documentation for each of the 2 deposits and performed the procedures below.

- i. Observe that receipts are sequentially pre-numbered.

No exception noted.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exception noted.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exception noted.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

For four deposit dates in two bank accounts, the deposit was not made within one business day of receipt. Exception noted. No exceptions noted for the additional two deposits tested.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exception noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2023

Schedule A

5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided, which only included one location. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below.

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exception noted.

- ii. At least two employees are involved in processing and approving payments to vendors;

No exception noted.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

The person processing payments was not prohibited from adding / modifying vendor files. Exception noted.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

No exception noted.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exception noted.

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- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

A listing of non-payroll disbursements for each payment processing location selected in procedures #5A was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

For the 5 disbursements selected for our procedures, a single employee processes payments and has access to add/modify vendor files.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exception noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The Entity does not have any active credit cards, bank debit cards, fuel cards or P-Cards.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

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From the listing provided, we randomly selected 5 credit cards used in the fiscal period. We randomly selected one monthly combined statement for all 5 cards selected and performed the procedures noted below.

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

Not applicable as noted above.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

Not applicable as noted above.

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Not applicable as noted above.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 3 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 3 reimbursements selected:

Not applicable as the Entity pays personnel through contracted Administrative Fees.

From the listing provided, we randomly selected 3 reimbursements and performed the procedures below.

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

Not applicable as noted above.

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- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

Not applicable as noted above.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by "Written Policies and Procedures", procedure #1A(vii); and

Not applicable as noted above.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable as noted above.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the only contract listed and performed the procedures below.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

For the one contract selected from our procedures, none were subject to Louisiana Public Bid Law.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

No exception noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

No exception noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We randomly selected 1 payment for the contract selected and performed the specified procedures. No exception noted.

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9) Payroll and Personnel

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

The Entity has an agreement with Louisiana Municipal Association (LMA) to provide support services to help achieve the day to day business functions. The 3rd amendment to the agreement allows the Entity to appoint an LMA employee as the managing director. Not applicable as employees are paid through LMA.

- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

Not applicable as noted above.

- i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

Not applicable as noted above.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Not applicable as noted above.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

Not applicable as noted above.

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Not applicable as noted above.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

Not applicable as noted above.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Not applicable as noted above.

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10) Ethics

A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

Not applicable as all employees are through LMA.

ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable as all employees are through LMA.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable as all employees are through LMA.

11) Debt Service

A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.

Not applicable.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Management has represented to us there were no misappropriations of public funds and assets during the fiscal period.

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- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice was posted on the premises and the website. No exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

Not applicable as noted in #9C.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:12671. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and

¹ While it appears to be a good practice for charter schools to ensure its employees are trained to keep their information technology assets safe from cyberattack, charter schools do not appear required to comply with 42:1267. An individual charter school, though, through specific provisions of its charter, may mandate that all employees/officials receive cybersecurity training.

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- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Not applicable as noted in #9C.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Not applicable as all employees are through LMA.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Not applicable as all employees are through LMA.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable as noted above.

- ii. Number of sexual harassment complaints received by the agency;

Not applicable as noted above.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable as noted above.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable as noted above.

- v. Amount of time it took to resolve each complaint.

Not applicable as noted above.

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Schedule B

Management has reviewed and will address the exceptions noted above.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

August 7, 2024

RESPONSE TO EXCEPTIONS IN 2023 STATEWIDE AUP REPORT

We agree with the exceptions noted in the AUP Report.

Adequate controls exist over payment processing to ensure vendors are paid accurately.

We will research outstanding checks aged greater than 12 months.

We will ensure that deposits are made within one business day of receipt.

Adequate controls are in place to ascertain that cash deposited is recorded properly.

Sincerely,



George Murphy
LMRMA CFO

Administered by the Louisiana Municipal Association

(225)344-5001

(800)234-8274

FAX (225)344-3057