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**Louisiana Housing Council Authorities
Group Self Insurance Funds
Iowa, Louisiana
September 30, 2002**

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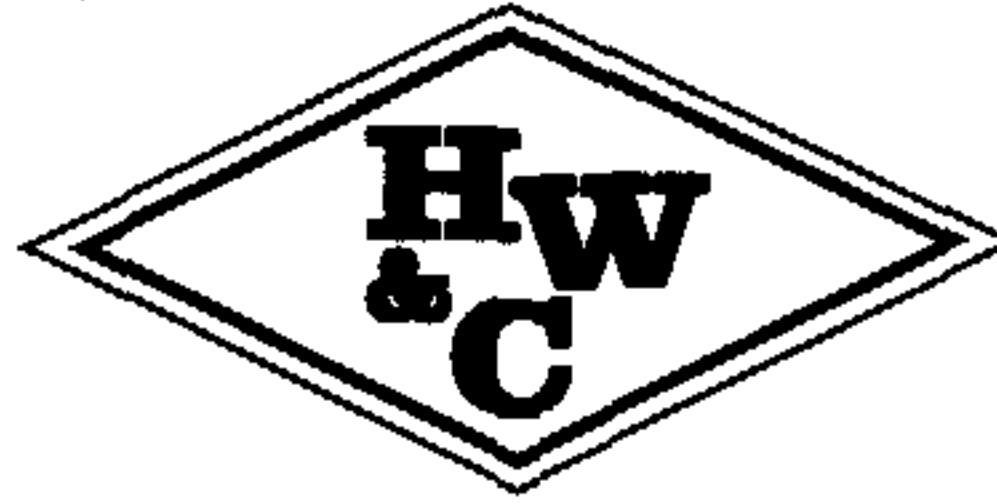
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December 6, 2002

Independent Auditor's Report

Insurance Committee
Louisiana Housing Council, Inc.
Iowa, Louisiana

We have audited the accompanying combining balance sheet of the

**Louisiana Housing Council Authorities
Group Self Insurance Funds
Iowa, Louisiana**

as of September 30, 2002, the combined balance sheet as of September 30, 2001, and the related combining statement of revenue, expenses and changes in fund equity and cash flows for the year ended September 30, 2002, and the combined statements of revenue, expenses and changes in fund equity and cash flows for the year ended September 30, 2001. These combining and combined financial statements are the responsibility of the management of the Louisiana Housing Council Authorities Group Self Insurance Funds. Our responsibility is to express an opinion on these combining and combined financial statements based on our audits.

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

In our opinion, the combining and combined financial statements referred to above present fairly, in all material respects, the individual and combined financial positions of the Louisiana Housing Council Authorities Group Self Insurance Funds as of September 30, 2002, and their combined financial position as of September 30, 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2002, on our consideration of the Louisiana Housing Council Authorities Group Self Insurance Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Yours truly,

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

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Balance Sheet - September 30, 2002
Combined Balance Sheet September 30, 2001

	Workers Compensation Fund	Health Fund	Long Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2002 Totals	2001 Totals
Assets										
Cash and cash equivalents	\$84,421	\$643,059			\$57,717	\$1,754,902	\$182,132		\$2,722,231	\$1,507,920
Investments	1,321,066						1,117,049		2,438,115	2,023,542
Premiums receivable	32,604	18,171	\$684		4,873	1,408	322	\$200,728	258,790	105,040
Prepaid expenses						720,746	364,812	181,586	1,267,144	1,192,056
Other receivables		11,691			5,152	1,032			17,875	176,483
LWCC Loss Fund	35,818								35,818	27,965
Accrued interest	<u>8,363</u>	<u>301</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,840</u>	<u>7,617</u>	<u>—</u>	<u>18,121</u>	<u>23,601</u>
Total assets	<u>1,482,272</u>	<u>673,222</u>	<u>684</u>	<u>—</u>	<u>67,742</u>	<u>2,479,928</u>	<u>1,671,932</u>	<u>382,314</u>	<u>6,758,094</u>	<u>5,056,607</u>
Liabilities and Fund Equity										
Accounts payable	34,671	2,393	684		90			200,728	238,566	69,376
Claims reserve	137,630	334,054				564,179	652,774		1,688,637	1,537,857
Deposit premiums	1,601								1,601	1,601
Unearned premiums						1,562,284	504,851	181,586	2,248,721	1,948,171
Pension funds payable					62,500				62,500	51,498
Pension forfeitures payable					<u>5,152</u>				<u>5,152</u>	<u>34,331</u>
Total liabilities	<u>173,902</u>	<u>336,447</u>	<u>684</u>	<u>—</u>	<u>67,742</u>	<u>2,126,463</u>	<u>1,157,625</u>	<u>382,314</u>	<u>4,245,177</u>	<u>3,642,834</u>
Fund Equity	<u>1,308,370</u>	<u>336,775</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>353,465</u>	<u>514,307</u>	<u>—</u>	<u>2,512,917</u>	<u>1,413,773</u>
Total liabilities and fund equity	<u>1,482,272</u>	<u>673,222</u>	<u>684</u>	<u>—</u>	<u>67,742</u>	<u>2,479,928</u>	<u>1,671,932</u>	<u>382,314</u>	<u>6,758,094</u>	<u>5,056,607</u>

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Statement of Revenues, Expenses and Changes in Fund Equity - Year Ended September 30, 2002
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Year Ended September 30, 2001

	Workers Compensation Fund	Health Fund	Long Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2002 Totals	2001 Totals
Revenues										
Premiums earned	\$709,801	\$2,084,616	\$45,456	\$44,656		\$2,971,134	\$921,189	\$107,611	\$6,884,463	\$6,039,745
Premiums ceded	(219,682)	(336,105)				(1,626,018)	(470,867)		(2,652,672)	(2,343,682)
Net premiums earned	490,119	1,748,511	45,456	44,656		1,345,116	450,322	107,611	4,231,791	3,696,063
Pension funds received					\$620,878				620,878	628,639
Investment income	50,581	3,229				15,210	35,841		104,861	183,956
Net appreciation (depreciation)										
in fair value of investments	(17,194)						(6,435)		(23,629)	(22,860)
Assessment income		62,400							62,400	
LHC fee						46,824	18,860	6,125	71,809	66,097
Other	3,650	12,350	1,493					4,100	21,593	22,294
Total Revenues	<u>527,156</u>	<u>1,826,490</u>	<u>46,949</u>	<u>44,656</u>	<u>620,878</u>	<u>1,407,150</u>	<u>498,588</u>	<u>117,836</u>	<u>5,089,703</u>	<u>4,574,189</u>
Expenses										
Claims expenses	81,277	1,967,477				982,218	213,285		3,244,257	3,433,283
Less reinsurance proceeds		(336,576)							(336,576)	(441,427)
Net incurred claims expenses	81,277	1,630,901				982,218	213,285		2,907,681	2,991,856
Administrative fees	20,000	9,595	1,493		977		75,000	4,100	111,165	111,215
Insurance coordinator fees	13,500								13,500	
Claims administrator fees		37,905							37,905	37,353
Insurance policies purchased			45,456	44,656				107,611	197,723	171,227
Pension funds remitted					619,901				619,901	627,634
Fees paid to LHC						46,824	18,860	6,125	71,809	66,097
Actuarial fees	1,500					1,000	1,000		3,500	2,250
Bank service charges/other	17,536	2,371				3,197	4,271		27,375	19,597
Total Expenses	<u>133,813</u>	<u>1,680,772</u>	<u>46,949</u>	<u>44,656</u>	<u>620,878</u>	<u>1,033,239</u>	<u>312,416</u>	<u>117,836</u>	<u>3,990,559</u>	<u>4,027,229</u>
Net Income	393,343	145,718				373,911	186,172		1,099,144	546,960
Fund Equity (Deficit),										
Beginning of year	915,027	191,057				(20,446)	328,135		1,413,773	1,261,588
Dividend distribution										(394,775)
End of year	<u>1,308,370</u>	<u>336,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,465</u>	<u>514,307</u>	<u>-</u>	<u>2,512,917</u>	<u>1,413,773</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Statement of Cash Flows - Year Ended September 30, 2002
Combined Statement of Cash Flows - Year Ended September 30, 2001

	Workers Compensation Fund	Health Fund	Long Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2002 Totals	2001 Totals
Cash Flows from Operating Activities										
Net income	\$393,343	\$145,718				\$373,911	\$186,172		\$1,099,144	\$546,960
Adjustments to reconcile net income to net cash provided by operations	17,194						6,435		23,629	(13,411)
Net (appreciation) depreciation in fair value of investments					\$30,774	(2,440)	(322)	(\$185,906)	4,858	102,841
(Increase) Decrease in						(359)	3,783		5,480	(17,002)
Receivables	68,798	93,916	\$38			181,561	(173,757)	(82,892)	(75,088)	(235,146)
Accrued investment income	1,608	448							(7,853)	2,035
Prepaid expenses	(7,853)									
LWCC Loss Fund										
Increase (Decrease) in										
Claims reserve	(120,127)	16,902				224,070	29,935		150,780	342,832
Unearned premiums						139,412	78,246	82,892	300,550	456,476
Accounts payable	(18,306)	1,611	(38)		17			185,906	169,190	(14,433)
Pension funds payable					11,002				11,002	(34,019)
Other payables					(29,179)				(29,179)	25,468
Net cash provided by operating activities	334,657	258,595			12,614	916,155	130,492		1,652,513	1,162,601
Cash Flows from Investing Activities										
Proceeds from sale and maturity of investment securities	959,580						1,112,438		2,072,018	1,904,442
Purchase of investment securities	(1,328,234)						(1,181,986)		(2,510,220)	(2,010,131)
Net cash provided (used) by investing activities	(368,654)						(69,548)		(438,202)	(105,689)
Cash Flows from Financing Activities										
Dividend distribution										(394,775)
Net cash provided (used) by financing activities										(394,775)

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Funds
Combining Statement of Cash Flows - Year Ended September 30, 2002
Combined Statement of Cash Flows - Years Ended September 30, 2001

	Workers Compensation Fund	Health Fund	Long Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2002 Totals	2001 Totals
Net Increase (Decrease) in Cash	(\$33,997)	\$258,595			\$12,614	\$916,155	\$60,944		\$1,214,311	\$662,137
Cash, beginning of year	<u>118,418</u>	<u>384,464</u>			<u>45,103</u>	<u>838,747</u>	<u>121,188</u>		<u>1,507,920</u>	<u>845,783</u>
Cash, end of year	<u><u>84,421</u></u>	<u><u>643,059</u></u>			<u><u>57,717</u></u>	<u><u>1,754,902</u></u>	<u><u>182,132</u></u>		<u><u>2,722,231</u></u>	<u><u>1,507,920</u></u>

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Background information on Public Entity Risk Pools

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

In November, 1989, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

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

A "public entity risk pool" is defined in GASB Statement No. 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

Risk-sharing pool

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

Insurance-purchasing pool

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

Banking pool

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

Claims-servicing or account pool

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

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Background information on Public Entity Risk Pools (Continued)

<u>Risk-Sharing and Insurance-Purchasing Pools</u>	<u>Insurance-Purchasing Pools</u>
Workers Compensation Fund	Long-Term Disability Fund
Health Fund	Life Insurance Fund
Fire & Extended Coverage Fund	Public Officials Liability Fund
General Liability Fund	

Participation in the Funds is open to all housing authorities which are members of the Louisiana Housing Council, Inc. These housing authorities join together to acquire commercial insurance coverage at lower costs. Participation is voluntary and participants may withdraw by giving proper notice. The Funds' general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of interlocal risk management to obtain lower costs for that coverage.

In 1981, the Louisiana Legislature enacted Louisiana Revised Statute (LRS) 33:1351 through 33:1360, the "Local Housing Authority Self Insurance Act of 1981." LRS 33:1354 authorizes the Louisiana Housing Council, Inc. (LHC) to administer an interlocal risk management agency, with the insurance committee of the LHC constituting the board of trustees for such agency. LHC is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

Background on the Risk-Sharing Pools

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

Seventy-three housing authorities are participants in the Workers' Compensation Fund as of September 30, 2002. The Fund uses the Louisiana Workers' Compensation Corporation (LWCC) for claims processing and has established a "Loss Deposit" account with them.

Forty-eight housing authorities are participants in the Health Fund as of September 30, 2002. American Group Administrators, Inc. of Hendersonville, Tennessee performs the claims processing for the Health Fund.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Background Information on the Risk-sharing Pools (Continued)

One hundred ten housing authorities are participants in the General Liability Fund as of September 30, 2002. Associated Claims Adjusters, Inc. performs the claims adjusting for the Fund.

As of September 30, 2002, 106 housing authorities were participating in the Fire and Extended Coverage Fund. Audubon Insurance Company performs the claims adjusting for the Fund.

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

Background Information on the Insurance-purchasing Pools

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

Note 1-Summary of Significant Accounting Policies

A. Basis of Accounting

The Funds are considered enterprise funds and, accordingly, use the accrual method of accounting.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Funds consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

C. Method Used to Value Investments

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

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Note 1-Summary of Significant Accounting Policies (Continued)

D. Premium Income and Accounts Receivable

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

E. Unpaid Claims Liability

(I) Workers' Compensation Fund, Health Fund, Fire & Extended Coverage Fund and General Liability Fund

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

(II) All Other Insurance Funds

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

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Note 1-Summary of Significant Accounting Policies (Continued)

F. Excess and Reinsurance Policies

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

G. Income Taxes

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

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, claim reserve for all risk-sharing and insurance purchasing pools.

I. Reclassifications

Certain reclassifications have been made to the 2001 financial statements to conform with classifications used in 2002. The reclassifications had no effect on net income or fund balances.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Note 2-Agency Pool

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

Note 3-Unpaid Claims Liabilities

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

Changes in these liabilities are as follows:

<u>September 30, 2002</u>	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Fire & Extended Coverage Fund</u>	<u>General Liability Fund</u>	<u>Total</u>
Unpaid claims and claims adjustment expenses at beginning of year	<u>\$257,757</u>	<u>\$317,152</u>	<u>\$340,109</u>	<u>\$622,839</u>	<u>\$1,537,857</u>
Incurred claims and claims adjustment expenses of the current year/period	117,943	1,547,741	515,000	170,000	2,350,684
Increases (decreases) in provision for insured events of prior years	<u>(36,666)</u>	<u>83,160</u>	<u>470,000</u>	<u>43,285</u>	<u>559,779</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>81,277</u>	<u>1,630,901</u>	<u>985,000</u>	<u>213,285</u>	<u>2,910,463</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year	18,923	1,213,687	52,678	15,137	1,300,425
Insured events of prior years	<u>182,481</u>	<u>400,312</u>	<u>708,252</u>	<u>168,213</u>	<u>1,459,258</u>
<u>Total payments</u>	<u>201,404</u>	<u>1,613,999</u>	<u>760,930</u>	<u>183,350</u>	<u>2,759,683</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>137,630</u>	<u>334,054</u>	<u>564,179</u>	<u>652,774</u>	<u>1,688,637</u>

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Note 3-Unpaid Claims Liabilities (Continued)

Changes in these liabilities are as follows:

<u>September 30, 2001</u>	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Fire & Extended Coverage Fund</u>	<u>General Liability Fund</u>	<u>Total</u>
Unpaid claims and claims adjustment expenses at beginning of year	<u>\$141,386</u>	<u>\$276,654</u>	<u>\$460,613</u>	<u>\$316,372</u>	<u>\$1,195,025</u>
Incurred claims and claims adjustment expenses of the current year/period	225,000	1,769,291	530,000	180,000	2,704,291
Increases (decreases) in provision for insured events of prior years	<u>93,698</u>	<u>(41,433)</u>	<u> </u>	<u>235,300</u>	<u>287,565</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>318,698</u>	<u>1,727,858</u>	<u>530,000</u>	<u>415,300</u>	<u>2,991,856</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year	111,659	1,452,139	189,891	16,906	1,770,595
Insured events of prior years	<u>90,668</u>	<u>235,221</u>	<u>460,613</u>	<u>91,927</u>	<u>878,429</u>
<u>Total payments</u>	<u>202,327</u>	<u>1,687,360</u>	<u>650,504</u>	<u>108,833</u>	<u>2,649,024</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>257,757</u>	<u>317,152</u>	<u>340,109</u>	<u>622,839</u>	<u>1,537,857</u>

Note 4-Cash and Cash Equivalents, and Investments

A. Cash and Cash Equivalents

(I) Workers Compensation Fund

At September 30, 2002 and September 30, 2001, the carrying amount of the Funds' cash and cash equivalents was \$84,421 and \$118,418, respectively, and the bank balance was \$84,421 and \$75,890, respectively, which is collateralized by federal depository insurance and securities held in a joint custodial account in the Funds' name.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

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

A. Cash and Cash Equivalents (Continued)

(II) Health Fund

At September 30, 2002 and September 30, 2001, the carrying amount of the Funds' cash and cash equivalents was \$643,059 and \$384,464, respectively, and the bank balance was \$417,600 and \$336,982, respectively, which is collateralized by federal depository insurance and securities held in a joint custodial account in the Funds' name.

(III) Pension Fund

At September 30, 2002 and September 30, 2001, the carrying amount of the Funds' cash and cash equivalents was \$57,717 and \$45,103, respectively, and the bank balance was \$57,717 and \$45,103, respectively, which is collateralized by federal depository insurance and securities held in a joint custodial account in the Funds' name.

(IV) Fire & Extended Coverage Fund

At September 30, 2002 and September 30, 2001, the carrying amount of the Funds' cash and cash equivalents was \$1,754,902 and \$838,747, respectively and the bank balance was \$1,761,293 and \$690,831, respectively, which was collateralized by federal depository insurance and securities held in a joint custodial account in the Fund's name.

(V) General Liability Fund

At September 30, 2002 and September 30, 2001, the carrying amount of the Fund's cash and cash equivalents was \$182,132 and \$121,188, respectively, and the bank balance was \$186,432 and \$321,325, respectively, which was covered by federal depository insurance and securities held in a joint custodial account in the Fund's name.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

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

B. Investments

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

The categorization for the investments held at September 30, 2002 was:

	<u>Category of Risk</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Workers Compensation Fund				
Investments				
Treasury notes	\$1,321,066			\$1,321,066
General Liability Fund				
Investments				
Treasury notes	1,117,049			1,117,049
<u>Total investments of all funds</u>	<u>2,438,115</u>			<u>2,438,115</u>

The categorization for the investments held at September 30, 2001 was:

	<u>Category of Risk</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Workers Compensation Fund				
Investments				
Treasury bills	\$347,201			\$347,201
Treasury notes	622,405			622,405
<u>Total investments</u>	<u>969,606</u>			<u>969,606</u>
General Liability Fund				
Investments				
Treasury bills	222,926			222,926
Treasury notes	831,010			831,010
<u>Total investments</u>	<u>1,053,936</u>			<u>1,053,936</u>
<u>Total investments of all funds</u>	<u>2,023,542</u>			<u>2,023,542</u>

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Note 5-Reinsurance Policy Coverage

A. Workers' Compensation Fund

At September 30, 2002, the Fund had excess insurance at statutory limits and employer liability at \$1,000,000. The self insured deductible is \$100,000 for each specific event and a \$250,000 stop loss aggregate for the policy period. Premiums ceded to excess insurers during the fiscal years ending September 30, 2002 and 2001 were \$219,682 and \$188,275, respectively.

B. Health Fund

At September 30, 2002, the Fund had reinsurance with each participant having a lifetime maximum coverage of \$1,000,000. The self insured retention is \$60,000 for each individual. Premiums ceded to reinsurers during the fiscal years ending September 30, 2002 and 2001 were \$336,105 and \$300,250, respectively, and the amounts deducted from claims were \$336,576 and \$441,427, respectively. All of the reinsurance activity was with a single reinsurer. Anticipated recoverable amounts as of September 30, 2002 and 2001 were \$11,691 and \$99,781, respectively.

C. Fire & Extended Coverage Fund

At September 30, 2002, the Fund had excess insurance with a self insured retention of \$100,000 for each specific event and a \$900,000 stop loss aggregate for the policy period. Premiums ceded to excess insurers during the fiscal years ending September 30, 2002 and 2001 were \$1,626,018 and \$1,584,166, respectively. The policy period runs from April 1 to March 31 of each year.

D. General Liability Fund

At September 30, 2002, the General Liability Fund had excess insurance with a self insured retention of \$100,000 for each specific event and a \$700,000 stop loss aggregate for the policy period. Premiums ceded to excess insurers during the fiscal years ending September 30, 2002 and 2001 were \$470,867 and \$270,991, respectively. The policy period runs from April 1 to March 31 of each year.

Louisiana Housing Council Authorities Group Self Insurance Funds
Notes to Financial Statements
September 30, 2002

Note 6-Related Party Transactions

The Louisiana Housing Council, Inc. (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, but does not participate in the insurance. The Fire and Extended Coverage, General Liability and Public Officials Liability Funds pay a fee to LHC based on housing authorities' participation in the pool of fire & extended coverages, general liability and public officials liability policies. Total fees paid to LHC for 2002 and 2001 were \$71,809 and \$66,097, respectively.

Note 7-Administrative Services

Broussard, Bush & Hurst (BB&H), a division of Arthur J. Gallagher & Co. of La., Inc., is a third-party service agent hired by the funds to perform the risk management and administrative functions of the Funds. These fees are based on different criteria for each type of insurance coverage. Total fees expensed for 2002 and 2001 were \$111,165 and \$111,215, respectively.

Fees by fund are as follows:

	<u>2002</u>	<u>2001</u>
Workers Compensation Fund	\$20,000	\$20,000
Health Fund	9,595	9,666
Long-Term Disability Fund	1,493	1,444
Pension Fund	977	1,005
General Liability Fund	75,000	75,000
Public Officials Liability Fund	<u>4,100</u>	<u>4,100</u>
	<u>111,165</u>	<u>111,215</u>

Note 8-Forfeitures Payable

The Pension Fund has a forfeiture account with The Copeland Companies, which provides the pension plan to the housing authority participants, with balances of \$5,152 and \$34,331 at September 30, 2002 and September 30, 2001, respectively. These amounts are to be allocated to the participants.

Note 9-Contingent Liabilities

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

Supplementary Information

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
Workers Compensation Fund
Eight Years Ended September 30, 2002

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Required contribution and investment revenue								
Earned	\$746,838	\$727,752	\$765,626	\$630,439	\$556,729	\$546,592	\$448,011	\$432,700
Ceded	<u>(219,682)</u>	<u>(188,275)</u>	<u>(185,897)</u>	<u>(203,157)</u>	<u>(161,876)</u>	<u>(164,953)</u>	<u>(162,665)</u>	<u>(142,805)</u>
Net earned	527,156	539,477	579,729	427,282	394,853	381,639	285,346	289,895
Unallocated expenses	52,536	34,315	25,422	32,049	32,769	34,712	33,529	20,691
Estimated claims and expenses, end of policy year								
Incurred	117,943	225,000	106,878	110,000	173,671	193,473	181,743	225,000
Ceded	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net incurred		225,000	106,878	110,000	173,671	193,473	181,743	225,000
Net paid, cumulative as of								
End of policy year	18,923	111,659	34,693	23,033	49,651	50,075	60,560	66,445
One year later		225,000	75,004	57,922	110,725	139,167	101,034	165,450
Two years later			110,499	85,078	111,259	182,475	101,034	246,965
Three years later				118,723	111,375	227,084	101,034	246,950
Four years later					111,375	250,000	101,231	246,950
Five years later						250,000	101,231	247,576
Six years later							101,231	247,576
Seven years later								247,576
Re-estimated ceded claims and expenses	—	—	—	—	—	—	—	—
Re-estimated net incurred claims and expenses								
End of policy year	117,943	225,000	106,878	110,000	173,671	193,473	181,743	225,000
One year later		225,000	149,701	107,853	142,898	225,387	128,106	248,584
Two years later			124,422	154,797	121,057	213,170	101,034	250,686
Three years later				143,410	111,375	250,000	101,034	246,950
Four years later					111,375	250,000	101,231	246,950
Five years later						250,000	101,231	247,576
Six years later							101,231	247,576
Seven years later								247,576
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	—	—	17,544	33,410	(62,296)	56,527	(80,512)	22,576

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

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
Health Fund
Seven Years Ended September 30, 2002

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Required contribution and investment revenue							
Earned	\$2,162,595	\$1,942,592	\$1,688,252	\$1,551,757	\$1,384,224	\$1,309,731	\$1,127,249
Ceded	<u>(336,105)</u>	<u>(300,250)</u>	<u>(247,274)</u>	<u>(205,431)</u>	<u>(166,390)</u>	<u>(162,701)</u>	<u>(157,878)</u>
Net earned	1,826,490	1,642,342	1,440,978	1,346,326	1,217,834	1,147,030	969,371
Unallocated expenses	49,871	48,260	65,792	90,814	81,266	59,896	47,916
Estimated claims and expenses, end of policy year							
Incurred	1,967,477	2,210,718	1,741,117	1,672,737	1,538,982	1,104,813	1,310,515
Ceded	<u>(336,576)</u>	<u>(441,427)</u>	<u>(298,576)</u>	<u>(451,268)</u>	<u>(98,594)</u>	<u>(12,010)</u>	<u>(409,953)</u>
Net incurred	1,630,901	1,769,291	1,442,541	1,221,469	1,440,388	1,092,803	900,562
Net paid, cumulative as of							
End of policy year	1,213,687	1,452,139	1,165,887	983,425	1,173,090	888,178	704,735
One year later		1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562
Two years later			1,401,108	1,223,536	1,440,388	1,092,803	900,562
Three years later				1,223,536	1,440,388	1,092,803	900,562
Four years later					1,440,388	1,092,803	900,562
Five years later						1,092,803	900,562
Six years later							900,562
Re-estimated ceded claims and expenses	336,576	441,427	298,576	451,268	98,594	12,010	409,953
Re-estimated net incurred claims and expenses							
End of policy year	1,547,741	1,769,291	1,442,541	1,221,469	1,440,388	1,092,803	900,562
One year later		1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,562
Two years later			1,401,108	1,223,536	1,440,388	1,092,803	900,562
Three years later				1,223,536	1,440,388	1,092,803	900,562
Four years later					1,440,388	1,092,803	900,562
Five years later						1,092,803	900,562
Six years later							900,562
Increase in estimated net incurred claims and expenses from end of policy year	—	83,160	(41,433)	2,067	—	—	—

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

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
General Liability Fund
Four Years Ended September 30, 2002

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Required contribution and investment revenue				
Earned	\$969,455	\$899,570	\$869,188	\$895,076
Ceded	<u>(470,867)</u>	<u>(270,991)</u>	<u>(242,349)</u>	<u>(250,000)</u>
Net earned	498,588	628,579	626,839	645,076
Unallocated expenses	99,131	96,682	93,500	97,056
Estimated claims and expenses, end of policy year				
Incurred	170,000	381,561	398,110	285,434
Ceded				
Net incurred	<u>170,000</u>	<u>381,561</u>	<u>398,110</u>	<u>285,434</u>
Net paid, cumulative as of				
End of policy year	15,137	16,906	5,630	42,066
One year later		98,985	55,491	92,039
Two years later			79,887	134,105
Three years later				195,843
Re-estimated ceded claims and expenses	—	—	—	—
Re-estimated net incurred claims and expenses				
End of policy year	170,000	381,561	264,867	285,434
One year later		381,561	398,100	251,231
Two years later		381,561	264,867	251,231
Three years later				226,199
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	—	—	(133,243)	(59,235)

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

Current year claim development information represents only half of a policy period since the policy runs April to March. All other years represent a full policy period.

Louisiana Housing Council Authorities Group Self Insurance Funds
Schedule 1 - 10-year Claims Development Information
Fire & Extended Coverage Fund
Three Years Ended September 30, 2002

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Required contribution and investment revenue			
Earned	\$3,033,168	\$2,536,397	\$2,101,329
Ceded	<u>(1,626,018)</u>	<u>(1,584,166)</u>	<u>(681,309)</u>
Net earned	1,407,150	952,231	1,420,020
Unallocated expenses	51,021	61,383	36,387
Estimated claims and expenses, end of policy year			
Incurred	515,000	1,000,000	750,000
Ceded			
Net incurred	<u>515,000</u>	<u>1,000,000</u>	<u>750,000</u>
Net paid, cumulative as of			
End of policy year	52,678	189,891	289,387
One year later		898,143	750,000
Two years later			750,000
Re-estimated ceded claims and expenses	—	—	485,699
Re-estimated net incurred claims and expenses			
End of policy year	515,000	1,000,000	750,000
One year later		1,000,000	750,000
Two years later			
Increase in estimated net incurred claims and expenses from end of policy year	—	—	—

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

Current year claim development information represents only half of a policy period since the policy runs April to March. All other years represent a full policy period.

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December 6, 2002

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

Insurance Committee
Louisiana Housing Council Authorities Group Self Insurance Funds
Iowa, Louisiana

Members of the Committee:

We have audited the combining financial statements of the

**Louisiana Housing Council Authorities Group Self Insurance Funds
Iowa, Louisiana**

as of and for the year ended September 30, 2002, and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Housing Council Authorities Group Self Insurance Funds' combining financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the insurance committee, management, the Louisiana legislative auditor and the Louisiana insurance commissioner and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

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