TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

Financial Statements for the Years Ended June 30, 2000 and 1999, Supplementary Information and Independent Auditors' Reports

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tennessee Municipal League Risk Management Pool
Brentwood, Tennessee

We have audited the accompanying balance sheets of Tennessee Municipal League Risk Management Pool (the "Pool") as of June 30, 2000 and 1999, and the related statements of revenues and expenses, changes in fund balance and cash flows for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that certain investments be reported at fair market value in the balance sheets, with the change in unrealized fair market value reported as investment income in the statements of revenues and expenses. As more fully explained in Notes 2 and 3 to the financial statements, the Pool reports the changes in fair market value of investments in its statements of revenues and expenses, but has chosen not to present the change in unrealized gains or losses on investments as a component of investment income.

In our opinion, except for the classification of unrealized investment gains and losses as discussed in the preceding paragraph, such financial statements present fairly, in all material respects, the financial position of Tennessee Municipal League Risk Management Pool, as of June 30, 2000 and 1999, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information listed in the table of contents is presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

This supplementary information is the responsibility of Tennessee Municipal League Risk Management Pool management. Such supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2000, on our consideration of Tennessee Municipal League Risk Management Pool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

September 29, 2000

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

BALANCE SHEETS
JUNE 30, 2000 AND 1999

	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,952,706	$ 11,550,801
Investments	91,133,462	93,033,946
Premiums receivable	4,800,376	4,972,299
Accrued interest and other receivables	2,551,889	2,438,429
Reinsurance recoverable on paid losses	382,481	313,100
Deferred acquisition costs	383,172	607,008
Premises, property and equipment, net	1,821,022	2,006,178
TOTAL ASSETS	$104,025,108	$114,921,761
LIABILITIES AND FUND BALANCE		
Reserve for losses and loss adjustment expenses	$ 48,322,844	$ 45,867,644
Deferred premium revenue	3,954,062	7,949,553
Reserve for unearned premiums	6,492,353	5,454,556
Dividends payable	3,016,221	11,032,698
Accounts payable and accrued liabilities	1,142,971	1,080,326
Total liabilities	62,928,451	71,384,777
FUND BALANCE:		
Appropriated for capitalization	15,000,000	15,000,000
Appropriated for member credits	16,201,528	17,540,741
Appropriated for property/casualty catastrophe	7,500,000	7,500,000
Appropriated for fund stabilization	2,395,129	3,496,243
Total fund balance	41,096,657	43,536,984
TOTAL LIABILITIES AND FUND BALANCE	$104,025,108	$114,921,761

See notes to financial statements.

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2000 AND 1999

	2000	1999
REVENUES:		
Net premiums written	$29,368,668	$26,065,238
(Increase) decrease in unearned premiums	(1,037,797)	513,070
Net earned premiums	28,330,871	26,578,308
Investment income	6,759,850	8,337,743
Other income	286,832	417,096
Total revenues	35,377,553	35,333,147
EXPENSES:		
Losses and loss adjustment expenses	25,227,750	20,646,649
Policy acquisition costs	2,939,106	2,722,698
General and administrative expenses	3,503,963	3,380,386
Total expenses	31,670,819	26,749,733
EXCESS OF REVENUES OVER EXPENSES BEFORE CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS	3,706,734	8,583,414
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS	(3,101,115)	(5,928,757)
EXCESS OF REVENUES OVER EXPENSES	$ 605,619	$ 2,654,657

See notes to financial statements.

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

STATEMENTS OF CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2000 AND 1999

	Fund Balance
BALANCE, June 30, 1998	$ 55,482,327
Excess of revenues over expenses	2,654,657
Surplus refund credit	(14,600,000)
BALANCE, June 30, 1999	43,536,984
Excess of revenues over expenses	605,619
Surplus refund credit	(45,946)
Dividend declared	(3,000,000)
BALANCE, June 30, 2000	$ 41,096,657

See notes to financial statements.

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts:		
Premiums received	$15,914,050	$22,872,821
Interest received	6,073,270	6,266,389
Special rating plan reimbursements	3,260,831	2,450,586
Reinsurance recoveries received	1,142,994	1,060,680
Claims recoveries	428,326	429,705
Other cash receipts	187,111	449,279
Total cash receipts	27,006,582	33,529,460
Cash disbursements:		
Claim payments	25,584,415	23,020,891
General and administrative	3,230,042	2,911,729
Reinsurance premiums	1,809,063	2,002,618
Claims administration	2,082,721	1,859,853
Policy acquisition	2,121,275	1,877,253
Bond interest payments	-	9,566
Total cash disbursements	34,827,516	31,681,910
Net cash (used in) provided by operating activities	(7,820,934)	1,847,550
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12,800,000)	(52,057,813)
Sales and maturities of investments	12,284,790	50,635,813
Purchases of premises, property and equipment	(266,455)	(306,786)
Sales of premises, property and equipment	4,504	15,413
Net cash used in investing activities	(777,161)	(1,713,373)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under debt agreement	-	(765,000)
Transfer of required debt interest balance	-	25,480
Net cash used in financing activities	-	(739,520)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,598,095)	(605,343)
CASH AND CASH EQUIVALENTS, beginning of year	11,550,801	12,156,144
CASH AND CASH EQUIVALENTS, end of year	$ 2,952,706	$11,550,801

(Continued on next page)

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2000 AND 1999

	2000	1999
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 605,619	$ 2,654,657
Adjustments to reconcile excess of revenues over expenses to net cash (used in) provided by operating activities:		
Depreciation	492,910	432,452
Net amortization of premium paid for investments	(8,889)	(7,674)
Gain on sales of investments	(299,281)	(2,031,432)
Unrealized losses on investments	3,101,115	5,928,757
Gain on sales of equipment	(10,619)	(16,318)
Decrease (increase) in premium receivable	171,923	(240,240)
Decrease (increase) in deferred acquisition costs	223,836	(249,027)
Increase in reinsurance recoverable on paid losses	(69,381)	(253,559)
Increase in reserve for losses and loss adjustment expenses	2,455,200	91,162
(Decrease) increase in deferred premium revenue	(3,995,491)	4,225,705
Increase (decrease) in reserve for unearned premiums	1,037,797	(513,070)
Dividend credits	(11,474,859)	(8,150,495)
Net change in other assets and liabilities	(50,814)	(23,368)
Net cash (used in) provided by operating activities	$(7,820,934)	$ 1,847,550
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ -	$ 9,566

See notes to financial statements.

1. NATURE OF OPERATIONS

Tennessee Municipal League Risk Management Pool (the "Pool"), a nonprofit corporation, provides liability, property and workers' compensation coverage for certain governmental entities in the state of Tennessee. Liability coverage provided by the Pool includes comprehensive general liability, comprehensive automobile liability, law enforcement, automobile physical damage and public officials' error and omissions. Property coverage includes all risk on real property, personal property, business interruption, electronic data processing systems, extra expense, accounts receivable, valuable papers, rental income, property in transit, demolition and increased cost of construction and automobile physical damage, subject to specified sub-limits. Workers' compensation coverage conforms to the workers' compensation law of Tennessee excluding the provisions of the state law dealing with nonoccupational disability benefits.

Pool membership currently consists of 411 governmental entities. The Pool provides risk management services with emphasis on loss control as part of the coverage. The Pool also provides claims management services and insurance above certain self-insured levels to participating entities. Participants in these services are, for the most part, not general policyholders and the Pool receives fees and premiums, respectively, for claims management services and retention-type contracts.

2. SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Pool have been prepared in conformity with generally accepted accounting principles generally accepted in the United States of America. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Pool elected to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less. Money market funds, which are held by third-party investment managers, are classified as investments.

Investments. The Pool carries its investments in equities and debt securities at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The changes in unrealized gains and losses on investments for the years ended June 30, 2000 and 1999 are reflected as separate components in the statement of revenues and expenses. Realized gains and losses on sales of investments are recognized based on the specific identification method at the date of sale. Interest income is recognized when earned.

The Pool's investment in NLC Mutual Insurance Company ("NLC-MIC") is not subject to the provisions of GASB Statement No. 31 and is accounted for under the cost method.

Deferred acquisition costs. Policy acquisition costs consist of commissions incurred at policy or contract issue date. These costs vary with, and are primarily related to, the acquisition of business and are deferred and amortized over the period in which the related premiums are earned. Deferred policy acquisition costs are reviewed periodically to ensure they do not exceed recoverable amounts after allowing for anticipated investment income.

Premises, property and equipment. Premises, property and equipment are carried at original cost less accumulated depreciation and consist of premises and improvements and furniture, fixtures and equipment. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years.

Reserve for losses and loss adjustment expenses. The reserve for losses and loss adjustment expenses is estimated as losses are incurred. The reserve consists of amounts for unpaid reported losses, net of salvage and subrogation and reinsurance recoveries, and estimates for incurred but not reported ("IBNR") losses. The estimates for IBNR were developed by management based on a consulting actuarial evaluation of the Pool's expected loss experience with consideration given to the Pool's historical loss experience and general industry information. Insurance liabilities are necessarily based on estimates and the ultimate liability may vary from such estimates. Adjustments to these estimates are reflected in expenses currently.

Risk Management and Insurance Arrangements. In addition to the loss related to operational risks, the Pool is exposed to various risk of loss related to theft of, damage to, and destruction of assets; illness or injuries to employees; and natural disasters. The Pool carries commercial insurance for these additional types of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

Recognition of premium. Premium is earned on a pro rata basis over the term of the contract, which is generally one year. Unearned premium is stated net of premium ceded to reinsurers and represents the portion of premium applicable to the unexpired portion of policies in force. Deferred premium revenue represents premium billed in the current fiscal year for policies becoming effective in the next fiscal year.

Income taxes. The Pool has received a favorable determination letter from the Internal Revenue Service and is exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* requires certain investments to be reported at fair market value in the balance sheet, with the change in fair market value reported as a component of investment income in the statement of revenues and expenses. The Pool has reported the changes in fair market value in the statement of revenues and expenses, but has elected to show the change after operating revenues over expenses, as opposed to being included in investment income. The Pool's decision to show this line separately is based on being able to report to the membership the Pool's operational status before recording market value fluctuations in investment holdings. After reporting the operational excess (deficit) of revenues over expenses, the change in market value of investment is reported, with a final excess (deficit) of revenues over expenses reported in accordance with GASB Statement No. 31.

The Board of Directors has authorized management to invest in obligations of the U.S. Treasury and U.S. governmental agencies, mortgage related securities, the State of Tennessee Local Government Investment Pool ("LGIP"), short-term investment funds, repurchase agreements, and equity securities. The average quality of the securities must be rated at or above AA, as defined by Moody, Standard and Poor, or an equivalent rating agency.

The Pool's investments at June 30, 2000 are categorized below to give an indication of the level of risk assumed by the Pool. Category 1 includes investments that are insured or registered or for which the securities are held by the Pool or its agent in the Pool's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer's agent, in its trust department, in the Pool's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer's agent, in its trust department, but not in the Pool's name.

	Category			Fair
	1	2	3	Value
U.S. Government Securities	$ 87,750,995	$ -	$ -	$ 87,750,995
Common stocks	2,872,945	-	-	2,872,945
Money market funds	189,522	-	-	189,522
	$ 90,813,462	$ -	$ -	
Investments not categorized - investment in NLC-MIC				320,000
				$ 91,133,462

The Pool's cash and cash equivalent bank balances totaling $3,706,580 at June 30, 2000 (with a carrying value of $2,952,706) represent a variety of time deposits with banks and includes bank balances that are insured or collateralized with securities held by the Pool or by its agent in the Pool's name.

Net realized gains from the sale of investments were $299,281 and $2,031,432 for the fiscal years ended June 30, 2000 and 1999, respectively.

The Pool invested $630,000 as a prerequisite for membership in the NLC-MIC on September 16, 1986. The Pool has requested and received returns of $310,000 of its contribution to NLC-MIC through June 30, 2000, leaving a cost basis in the investment of $320,000 as of June 30, 2000. NLC-MIC is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool.

4. PREMISES, PROPERTY AND EQUIPMENT

Premises, property and equipment are comprised of:

	2000	1999
Premises and improvements	$1,888,039	$1,872,189
Office furniture, fixtures and equipment	2,102,167	2,265,657
Accumulated depreciation	(2,169,184)	(2,131,668)
	$1,821,022	$2,006,178

5. RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserve for losses and loss adjustment expenses is comprised of:

	2000	1999
Reserve for reported claims	$27,496,952	$26,866,458
Reserve for incurred but not reported claims	19,645,004	18,127,069
Reserve for unallocated loss adjustment expenses	2,504,512	2,367,023
Less: reinsurance recoverable	(1,323,624)	(1,492,906)
Estimated ultimate unpaid losses and loss adjustment expenses	$48,322,844	$45,867,644

As discussed in Note 2, the Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following table represents changes in those aggregate liabilities for the Pool during the past two years. Reserves are stated on a net basis after deductions for losses recoverable from reinsurers.

	2000	1999
Reserve for losses and loss adjustment expense at beginning of fiscal year	$45,867,644	$45,776,482
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	28,823,250	26,345,821
Decrease in provision for insured events of prior fiscal years	(5,536,820)	(7,578,023)
Unallocated claims adjustment expense	1,941,322	1,878,851
Total incurred claims and claim adjustment expenses	25,227,752	20,646,649
Reinsurance:		
Reinsurance recoveries received attributable to insured events of current fiscal year	167,869	914,243
Reinsurance recoveries received attributable to insured events of prior fiscal years	975,126	146,437
Change in reinsurance recoverable on paid losses	69,381	253,558
Total reinsurance	1,212,376	1,314,238
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	8,598,040	7,651,762
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	13,445,567	12,339,112
Unallocated claims adjustment expense	1,941,321	1,878,851
Total payments	23,984,928	21,869,725
Reserve for losses and loss adjustment expenses at end of fiscal year	$48,322,844	$45,867,644

The Pool has accumulated a base of mature reported loss data, supplemented with industry data, to project ultimate losses. Estimates of incurred losses for all lines of business and policy years involve estimation of future events and costs, which may differ from amounts ultimately realized due to a number of factors. Estimated loss reserves have been developed by management of the Pool with assistance from a consulting actuary. Management believes the reserve for losses and loss adjustment expenses are reasonably stated for all obligations as of June 30, 2000 and 1999. However, adjustments to these estimates may nevertheless be required and would be reflected as additions or reductions to expenses currently.

6. PREMIUMS WRITTEN AND REINSURANCE

Premiums written for the years ended June 30, 2000 and 1999 were as follows:

	2000	1999
Premiums written	$31,622,316	$28,033,699
Premiums ceded	(2,253,648)	(1,968,461)
Net premiums written	$29,368,668	$26,065,238

The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with NLC-MIC (a related party, see Note 3). Ceded reinsurance is treated as the risk and liability of the assuming companies. In general, such reinsurance contracts limit the Pool's retention on individual occurrences as follows: workers' compensation - $250,000; general liability, personal injury liability, errors and omissions liability and auto liability - $500,000; property (including auto physical damage) - $50,000; and crime coverage - $50,000.

The Pool, like other members of NLC-MIC, is subject to premium assessments for losses incurred by the reinsurer under certain circumstances. The Pool is also eligible for future dividends and/or return of members' equity.

Estimated amounts recoverable from reinsurers (principally NLC-MIC) of $1,323,624 and $1,492,906 have been deducted from the reserve for losses and loss adjustment expenses (Note 5) at June 30, 2000 and 1999. The Pool remains contingently liable for reinsured losses in the event its reinsurers do not meet their contractual obligations.

7. FUND BALANCE

The Pool appropriates, as directed by its Board of Directors, its fund balance into separate categories that include capitalization, member credits, property/casualty catastrophe and fund stabilization. The Board of Directors may, at its discretion, adjust the amounts of appropriated fund balance.

During the year ended June 30, 1998, the Board declared a $5,000,000 dividend, which was paid in the form or renewal credits during the year ended June 30, 1999. During the year ended June 30, 1999, the Board declared a $14,600,000 surplus refund credit, which was paid in the form of premium credits during the year ended June 30, 1999. During the year ended June 30, 2000, the Board declared a $3,000,000 dividend, which will be paid in the form of renewal credits during the year ended June 30, 2001.

8. RELATED PARTY TRANSACTIONS

The formation of the Pool was sponsored by the Tennessee Municipal League (the "League") and is governed by a Board whose members are approved by the Board of the League. The elected Board members consist of elected officials and city managers from cities that are members of the Pool. The League receives an annual sponsorship fee of 1.75% of gross revenues from the Pool. This fee was approximately $650,000 for 2000 and 1999.

The Pool entered into a pledge agreement in August 1992 with the League and a regional bank whereby the Pool has pledged securities with a market value of $5,465,189 at June 30, 2000 as collateral for long-term debt issued by the League in connection with its purchase of a building and property.

9. CONTINGENCIES

In the normal course of operations, the Pool is involved in litigation related to certain claims. In the opinion of management, the disposition of these matters will not have a material adverse effect on the Pool's financial position.

10. EMPLOYEE BENEFIT PLAN

Plan Description. Employees of the Pool are members of the Political Subdivision Pension Plan ("PSPP"), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System ("TCRS"). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* ("TCA"). State statutes are amended by the Tennessee General Assembly. Political subdivisions, such as the Pool, participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy. The Pool has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Pool is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2000 was 10.02% of annual covered payroll. The contribution requirement for the Pool is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost. For the years ended June 30, 2000 and 1999, the Pool's annual pension cost of $132,058 and $14,584, respectively to TCRS was equal to the Pool's required and actual contributions. The required contribution for the year ended June 30, 2000 was determined as part of the June 30, 1999 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Pool's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The amortization period at June 30, 1997 was 24 years.

Trend Information

Fiscal Year Ending	***Annual Pension Cost (APC)***	***Percentage of APC Contributed***	***Net Pension Obligation***
June 30, 2000	$ 132,058	100.00%	-
June 30, 1999	$ 114,584	100.00%	-
June 30, 1998	$ 94,356	100.00%	-

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TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

REQUIRED SUPPLEMENTARY INFORMATION – TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
YEAR ENDED JUNE 30, 2000 (CONTINUED)

	Fiscal Year Ended June 30,									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
5. Reestimated incurred claims and expenses:										
End of policy year	$ 15,355,628	$ 17,197,049	$ 19,629,000	$ 21,604,715	$ 22,077,844	$ 23,067,879	$ 23,758,370	$ 26,539,008	$ 26,345,821	$ 28,823,250
One year later	14,261,000	15,972,000	16,496,278	18,364,551	21,129,242	20,415,141	21,844,456	23,916,295	26,025,108	
Two years later	12,444,000	13,958,369	14,809,178	16,938,653	19,914,780	18,610,420	19,052,723	22,097,795		
Three years later	10,269,455	13,126,491	14,375,048	16,051,306	18,925,213	18,061,230	18,309,943			
Four years later	9,867,300	12,871,008	14,312,415	15,646,036	18,847,363	17,589,527				
Five years later	10,027,587	12,473,429	14,906,721	15,515,289	18,535,747					
Six years later	9,907,601	12,496,370	14,801,440	15,298,415						
Seven years later	10,055,008	12,369,723	14,994,484							
Eight years later	9,985,999	12,209,260								
Nine years later	9,914,242									
6. Decrease in estimated incurred claims and expenses from end of policy year	(5,441,386)	(4,987,789)	(4,634,516)	(6,306,300)	(3,542,097)	(5,478,352)	(5,448,427)	(4,441,213)	(320,713)	-

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

REQUIRED SUPPLEMENTARY INFORMATION - RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT YEAR ENDED JUNE 30, 2000

	Liability	Workers' Compensation	Property	Total
Unpaid claims and claim adjustment expense at beginning of year	$24,514,103	$20,801,291	$ 552,250	$45,867,644
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	12,303,942	15,604,394	914,914	28,823,250
Decrease in provision for insured events of prior years	(4,740,370)	(544,919)	(251,531)	(5,536,820)
Unallocated claims adjustment expense	877,814	891,480	172,028	1,941,322
Total incurred claims and claims adjustment expense	8,441,386	15,950,955	835,411	25,227,752
Reinsurance:				
Reinsurance recoveries received attributable to insured events of current fiscal year	-	167,869	-	167,869
Reinsurance recoveries received attributable to insured events of prior fiscal years	141,832	261,966	571,328	975,126
Change in reinsurance recoverable on paid losses	(141,416)	5,775	205,022	69,381
Total reinsurance	416	435,610	776,350	1,212,376
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	3,083,830	5,030,475	483,735	8,598,040
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	4,517,971	7,915,934	1,011,662	13,445,567
Claims administration expense	877,814	891,480	172,027	1,941,321
Total payments	8,479,615	13,837,889	1,667,424	23,984,928
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	$24,476,290	$23,349,967	$ 496,587	$48,322,844

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

REQUIRED SUPPLEMENTARY INFORMATION - RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT YEAR ENDED JUNE 30, 1999

	Liability	Workers' Compensation	Property	Total
Unpaid claims and claim adjustment expense at beginning of year	$25,047,493	$20,258,654	$ 470,335	$45,776,482
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	12,516,905	12,604,028	1,224,888	26,345,821
Decrease in provision for insured events of prior years	(5,873,399)	(1,702,626)	(1,998)	(7,578,023)
Unallocated claims adjustment expense	862,215	861,928	154,708	1,878,851
Total incurred claims and claims adjustment expense	7,505,721	11,763,330	1,377,598	20,646,649
Reinsurance:				
Reinsurance recoveries received attributable to insured events of current fiscal year	-	-	914,243	914,243
Reinsurance recoveries received attributable to insured events of prior fiscal years	64,312	41,381	40,744	146,437
Change in reinsurance recoverable on paid losses	155,532	44,929	53,097	253,558
Total reinsurance	219,844	86,310	1,008,084	1,314,238
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	3,247,890	3,647,451	756,421	7,651,762
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	4,148,850	6,797,624	1,392,638	12,339,112
Claims administration expense	862,215	861,928	154,708	1,878,851
Total payments	8,258,955	11,307,003	2,303,767	21,869,725
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	$24,514,103	$20,801,291	$ 552,250	$43,867,644

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS (DOLLAR AMOUNTS IN THOUSANDS)

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded AAL (UAAL) (b) – (a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as a Percentage of Covered Payroll ((b-a)/c)*
June 30, 1999	$804	$1,280	$476	62.81%	$1,144	41.62%
June 30, 1997	$474	$ 716	$242	66.20%	$ 987	24.52%
June 30, 1995	$207	$ 451	$243	46.04%	$ 491	49.47%

TML RISK MANAGEMENT POOL

Supplementary Information on Employee Compensation
As Required by Tennessee State Law
July 1, 1999 Through June 30, 2000 (For Amounts in Excess of $25,000)

Officer/Employee	*Earned Compensation*	*Fringe Benefits*
Holland, Lee – President	$162,438.53	$48,877.10
Crawford, Dawn – Exec. V.P. & Chief Financial Officer	114,921.14	22,958.72
Alexander, Keith	75,339.44	12,947.72
Caldwell, A.D.	102,772.88	32,511.74
Chambliss, Paul	46,400.96	6,132.38
Dalton, George	44,677.76	8,115.48
Davis, Jeanette	34,089.00	4,192.72
Dorris, Lowell	42,448.03	8,962.79
Fann, Michael	96,229.88	16,450.77
Gaddis, Pat	65,452.93	8,549.01
Holland, Edna	90,002.08	10,232.07
Housley, Judy	55,895.36	8,025.54
Huffer, Dennis	78,200.72	16,278.90
Jungmichel, Laura	101,940.84	18,170.58
Lemon, Pam	64,541.50	8,205.79
Moore, Karen	39,985.86	4,783.58
Ponessa, Anthony	69,909.44	17,504.96
Ransom, Toni	35,372.40	4,653.81
Rose, Kathy	39,615.65	5,411.49
Scobee, Lehte	28,182.21	3,731.17
Stoltz, Betty	41,742.45	5,283.75
Williams, Kathi	37,030.28	5,551.43
Williams, Myra	72,574.16	13,182.75
Williams, Randy	81,866.80	11,158.88

Information provided as categorized in Tennessee Code Annotated, Section 10-7-503(d)(1)(F)(i-iii)

TML RISK MANAGEMENT POOL

Supplementary Information on Professional Advisors/Service Providers As Required by Tennessee State Law July 1, 1999 Through June 30, 2000 (For Amounts In Excess of $2,500)

Service Provider	*Service Provided*
Callan & Associates	Investment Performance Evaluation
Deloitte & Touche LLP	Financial Audit
Highland Capital Management Corporation	Investment Portfolio Management
Murray, C.E.	Claims Legal Bill Review
PriceWaterhouseCoopers, LLP	Actuarial Review
Public Risk Services	Third Party Administrator – Claims Processing
Richardson, Jim	Property Inspector
Ridley, Nathan	Lobbying Consultant
Seivers, Charles	Organizational Consultant
Stokes, Ogden	Corporate Legal Retainer
Tennessee Municipal League	Organizational Sponsorship Fee

Information provided as categorized in Tennessee Code Annotated, Section 10-7-503(d)(1)(F)(iv)

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Tennessee Municipal League Risk Management Pool
Brentwood, Tennessee

We have audited the financial statements of Tennessee Municipal League Risk Management Pool, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 29, 2000. Such report expressed a qualified opinion because the Pool did not classify the change in unrealized gains or losses on investments as a component of investment income in accordance with Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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.

Compliance

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

This report is intended solely for the information and use of the Board or Directors, management, and the Comptroller of the Treasury of the State of Tennessee – Division of Municipal Audit and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

September 29, 2000