

**St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund**

**Slidell, Louisiana**

**December 31, 2013**

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Health & Welfare Fund**

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**LeGlue & Company, CPA's**  
(A Professional Corporation)

June 3, 2014

To the Trustees  
St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund  
Slidell, Louisiana

INDEPENDENT AUDITORS' REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of the St. Tammany Federation of Teachers/School Employees Health & Welfare Fund, which comprise the statement of benefit obligations and net assets available for benefits as of December 31, 2013, and the related statement of changes in benefit obligations and net assets available for benefits for the year then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion the financial statements referred to above fairly present in all material respects, the benefit obligations and net assets available for benefits of the St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of December 31, 2013, and the changes in benefit obligations and net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United states of America.

## Other Matters

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Administrative Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 June 3, 2014 on our consideration of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the 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 St. Tammany Federation of Teachers/School Employees Health & Welfare Fund's internal control over financial reporting and compliance.

Respectfully submitted,

  
(A Professional Corporation)

STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS  
AVAILABLE FOR BENEFITS

St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund

December 31, 2013

Benefit Obligations

Estimated claims incurred, but not reported \$ 71,200

Assets

Receivables and prepaid expenses:

Participant's contributions 47,505

Prepaid expenses 915

Total receivables and prepaid expenses 48,420

Cash 1,907,276

Property and equipment -

Total assets 1,955,696

Liabilities and Deferred Contributions

Accounts payable and accrued expenses 40,381

Deferred contributions 330,000

Total liabilities and deferred contributions 370,381

NET ASSETS AVAILABLE FOR BENEFITS 1,585,315

EXCESS OF NET ASSETS AVAILABLE FOR  
BENEFITS OVER BENEFIT OBLIGATIONS \$ 1,514,115

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS AND  
NET ASSETS AVAILABLE FOR BENEFITS

St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund

Year ended December 31, 2013

Net Increase (Decrease) in Benefit Obligations

Increase (Decrease) during the year attributable to:

Estimated claims incurred, but not reported (10,200)

Net Increase (Decrease) in Net Assets Available for Benefits

Contributions:

St. Tammany Parish School Board 660,000

Voluntary employee 600,331

Total contributions 1,260,331

Interest income 1,523

Total revenues 1,261,854

Payments:

Claims 1,099,884

Administrative expenses 140,953

Total deductions 1,240,837

NET INCREASE 21,017

Increase in Net Assets Available for Benefits

Over Benefit Obligations 31,217

Excess of Net Assets Available for Benefits

Over Benefit Obligations

Beginning of year 1,482,898

End of year \$ 1,514,115

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### St. Tammany Federation of Teachers/School Employees Health & Welfare Fund

December 31, 2013

#### Note 1 - FUND DESCRIPTION

The Fund was established May 13, 1993 pursuant to a collective bargaining agreement entered into by and between the St. Tammany Parish School Board ("Employer") and the St. Tammany Federation of Teachers/School Employees ("Union"), for and on behalf of teachers and other employees engaged in covered employment under the collective bargaining agreement.

The Fund is a voluntary employee beneficiary association ("VEBA") qualified under Section 501 (c) (9) of the Internal Revenue Code and organized and administered under Louisiana State law. Consequently, a trust agreement was adopted May 13, 1993 governing the Fund's administration and a plan of benefits was adopted subsequently thereto specifying the eligibility rules for employee and dependent participation and the benefits extended by the plan.

Because the Fund has been established for the exclusive benefit of public employees and is funded pursuant to the collective bargaining agreement by contributions of a governmental agency, the Plan is a "governmental plan" exempt from the coverage of ERISA (the Employee Retirement Income Security Act of 1974). Nor is the Plan regulated by Section 302 (c) (5) of the Labor Management Relations Act, despite its collectively bargained status, since the Act exempts from its purview employers and unions in the public sector.

The Fund and Plan are administered by seven Trustees appointed by and represented by the Union. Although authorized by law to offer any benefit sanctioned by Section 501 (c) (9) of the Internal Revenue Code, the Plan presently pays only dental benefits and does not offer major medical benefits of any kind.

Effective January 1, 1999, the Fund began to self-insure all benefits payable by the plan.

The Fund is self administered by an Administrative Manager employed directly by the Board of Trustees. The Fund does contract with a firm to provide claims administration on a monthly per employee cost basis.

#### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared using the accrual basis of accounting.

All contributions submitted to the Fund are administered by the Board of Trustees pursuant to the Plan of Benefits, as amended from time to time. Contributions are due in annual installments and are considered earned on a pro-rata basis.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The benefit obligation for estimated claims incurred, but not reported were estimated by the Plan's actuary based on a percentage of claims paid for the year ended December 31, 2013.

The preparation of financial statements in conformity with U. S. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

At various times during the period, cash on deposit with one banking institution exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize the potential risk. Cash on deposits is secured by collateral of sufficient market value equal to at least 100% of amounts not insured by any United States government agency.

Note 3 - FUNDING POLICY

The St. Tammany Parish School Board contributed \$660,000 to the Fund for the year ended December 31, 2013. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$588,087 during the year to obtain dependent coverage.

If eligibility is terminated due to cessation of employment or a reduction in hours, an employee may pay for extended coverage pursuant to COBRA, state law and Plan rules for limited terms and under the limitations specified in the law and the Plan.

Note 4 – CASH

A bank custodian holds the Fund's assets.

Note 5 - INCOME TAXES

The Fund is exempt from income taxes under Section 501 (c) (9) of the U.S. Internal Revenue Code.

Note 6 - RETIREMENT PLAN

Employees of the Fund participate in the Louisiana Teachers' Retirement System and therefore, accrue credits in that Fund's defined benefit plan in accordance with its own eligibility rules. No information is available concerning the Louisiana Teachers' Retirement System's actuarial soundness, net assets, or actuarial present value of accumulated vested and non-vested benefits.

Note 7 – RELATED PARTY ARRANGEMENTS

The Fund reimburses the St. Tammany Federation of Teachers/School Employees for office facilities, some equipment, personnel costs and miscellaneous operating expenses. There were no such reimbursements for the year ended December 31, 2013.

Note 8 – TAX POSITIONS

Management has reviewed all tax positions taken in filings with the taxing authorities and believes that there would be no resulting adjustments to taxes paid should these positions be examined. Tax years subject to taxing authority review were December 31, 2010, 2011 and 2012.

Note 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were issued, June 3, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SCHEDULE OF ADMINISTRATIVE EXPENSES

St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund

Year ended December 31, 2013

(See Independent Auditors' Report on Supplementary Information)

Benefit administration	\$ 121,987
Consultants	898
Meetings and conventions	2,550
Office supplies	1,783
Postage and supplies	1,139
Professional fees	<u>11,716</u>
Total administrative expenses	<u>\$ 140,953</u>

LeGlue & Company, CPA's  
(A Professional Corporation)

June 4, 2014

To the Trustees  
St. Tammany Federation of Teachers/School Employees  
Health & Welfare Fund  
Slidell, Louisiana

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

We have audited, 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., the financial statements of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund, which comprise the statement of benefit obligations and net assets available for benefits as of December 31, 2013, and the related statement of changes in benefit obligations and net assets available for benefits for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Tammany Federation of Teachers/School Employees Health & Welfare Fund's internal control over financial reporting to determine 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 St. Tammany Federation of Teachers/School Employee Health & Welfare Fund's internal control over financial reporting. 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 a 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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Federation of Teachers/School Employees Health & Welfare Fund 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 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 or other matters that are required to be reported under Government Auditing Standards.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not available for any other purpose.

Respectfully submitted,

  
(A Professional Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

St. Tammany Federation of Teachers/School Employees Health & Welfare Fund

Year ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ yes    X no

Significant deficiency(ies) identified that are not considered to be material weaknesses?

\_\_\_ yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes    X no

Section II - Financial Statement Findings - NONE