

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

Slidell, Louisiana

December 31, 2011

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

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

June 13, 2012

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of benefit obligations and net assets available for benefits of the St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of December 31, 2011, and the related statement of changes in benefit obligations and net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above 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, 2011, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedule 1 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.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2012 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 and should be read in conjunction with this report in considering the results of our audit.

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, 2011

Benefit Obligations

Estimated claims incurred, but not reported	<u>\$ 81,600</u>
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Assets

Receivables:

Participant's contributions	52,741
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Cash	<u>1,891,033</u>
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Property and equipment	<u>-</u>
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Total assets	<u>1,943,774</u>
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Liabilities and Deferred Contributions

Accounts payable and accrued expenses	68,182
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Deferred contributions	<u>330,000</u>
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Total liabilities and deferred contributions	<u>398,182</u>
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NET ASSETS AVAILABLE FOR BENEFITS	<u>1,545,592</u>
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EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ 1,463,992</u>
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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, 2011

Net Increase (Decrease) in Benefit Obligations

Increase (Decrease) during the year attributable to:

Estimated claims incurred, but not reported	2,300
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Net Increase (Decrease) in Net Assets Available for Benefits

Contributions:

St. Tammany Parish School Board	660,000
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Voluntary employee	641,052
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Total contributions	1,301,052
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Interest income	4,381
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Total revenues	1,305,433
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Payments:

Claims	1,165,183
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Administrative expenses	156,345
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Total deductions	1,321,528
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NET INCREASE (DECREASE)	(16,095)
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Increase (Decrease) in Net Assets Available for Benefits

<u>Over Benefit Obligations</u>	(18,395)
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Excess of Net Assets Available for Benefits

Over Benefit Obligations

Beginning of year	1,482,387
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End of year	\$ 1,463,992
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

December 31, 2011

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 report were estimated by the Plan's actuary based on a percentage of claims paid for the year ended December 31, 2011.

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, 2011. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$630,398 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, 2011.

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.

Note 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were issued, June 13, 2012, 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.

ADMINISTRATIVE EXPENSES

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

Year ended December 31, 2011

(See Independent Auditors' Report on Supplementary Information)

Benefit administration	\$ 125,962
Consultants	6,813
Meetings and conventions	4,125
Office supplies	2,483
Postage and supplies	2,965
Professional fees	<u>13,997</u>
Total administrative expenses	<u>\$ 156,345</u>

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

June 13, 2012

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

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

We have audited the financial statements of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of and for the year ended December 31, 2011, and have issued our report thereon dated June 13, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Tammany Federation of Teachers/School Employees Health & Welfare Fund's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Governmental Auditing Standards.

This report is intended solely for the information and use of management, Trustees of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund, and the Louisiana Legislative Auditor's office. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reiter & Company". The signature is written in black ink and is positioned above the printed name of the firm.

(A Professional Corporation)

