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

Slidell, Louisiana

December 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/20/02

December 15, 2000

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, 1999, 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 generally accepted auditing standards. 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, 1999, and the changes in benefit obligations and net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

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.

Respectfully submitted,


(A Professional Corporation)

Exhibit A

STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS
AVAILABLE FOR BENEFITS

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

December 31, 1999

Benefit Obligations

Estimated claims incurred, but not reported	\$ 58,800
Claims reported, but not paid	13,474
Total benefits obligations	72,274

Assets

Receivables:

St. Tammany Parish School Board contributions	610,000
Participant's contributions	14,782
Total receivables	624,782

Cash

	765,913
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Property and equipment

Equipment	9,058
Less accumulated depreciation	2,567
Total property and equipment	6,491

Total assets

	1,397,186
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Liabilities and Deferred Contributions

Accounts payable for administrative expenses	35,797
Deferred contributions	305,000

Total liabilities and deferred contributions

	340,797
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NET ASSETS AVAILABLE FOR BENEFITS

	1,056,389
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EXCESS OF NET ASSETS AVAILABLE FOR
BENEFITS OVER BENEFIT OBLIGATIONS

	\$ 984,115
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See accompanying notes to financial statements.

Exhibit B

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, 1999

Net Increase in Benefit Obligations

Increase (Decrease) during the year attributable to:

Amounts payable to insurance company	\$ (61,910)
Estimated claims incurred, but not reported	58,800
Claims reported, not yet paid	<u>13,474</u>
	<u>10,364</u>

Net Increase in Net Assets Available for Benefits

Contributions:

St. Tammany Parish School Board	605,000
Voluntary employee	<u>205,964</u>
Total contributions	810,964

Investment income:

Interest	<u>15,619</u>
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Total additions 826,583

Payments:

Claims	382,312
Benefit premiums	<u>62,027</u>
	444,339

Administrative expenses

136,196

Total deductions 580,535

NET INCREASE 246,048

Increase in Net Assets Available for Benefits

Over Benefit Obligations 235,684

Excess of Net Assets Available for Benefits

Over Benefit Obligations
Beginning of year 748,431

End of year \$ 984,115

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

December 31, 1999

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 Fund depreciates its furniture and equipment over useful lives of five to seven years using the straight-line method. Depreciation expense for the year ended December 31, 1999 was \$1,811.

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 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 \$100,000 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.

Note 3 - FUNDING POLICY

The St. Tammany Parish School Board contributed \$605,000 to the Fund for the year ended December 31, 1999. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$205,964 during the period 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 - INVESTMENTS

The Fund's asset are held by a bank custodian in an interest bearing account.

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 - LEASING ARRANGEMENTS

The Fund's office facilities and some equipment are rented under an annual operating lease arrangement with the St. Tammany Federation of Teachers/School Employees. Rent expenses under the lease for the year ended December 31, 1999 was \$10,461.

Schedule 1ADMINISTRATIVE EXPENSESSt. Tammany Federation of Teachers/School Employees
Health & Welfare Fund

(See Independent Auditor's Report on Supplementary Information)

Year ended December 31, 1999

Benefit administration	\$ 54,844
Banking fees	326
Depreciation	1,811
Dues	525
Education	700
Miscellaneous	288
Postage and supplies	2,363
Professional fees	16,246
Rent	10,461
Salaries and reimbursements	45,032
Travel	<u>3,600</u>
Total administrative expenses	<u>\$ 136,196</u>