

Jefferson Federation of Teachers  
Health & Welfare Fund

Metairie, Louisiana

August 31, 2012

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Health & Welfare Fund

August 31, 2012

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

January 10, 2013

To the Trustees  
Jefferson Federation of Teachers  
Health & Welfare Fund  
Metairie, Louisiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of benefit obligations and net assets available for benefits of the Jefferson Federation of Teachers Health & Welfare Fund as of August 31, 2012, 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 Governmental 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 statements 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 Jefferson Federation of Teachers Health & Welfare Fund as of August 31, 2012, 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.

The accompanying financial statements have been prepared assuming that the plan will continue as a going concern. As discussed in Note 12 to the financial statements, contributions to the plan may discontinue after June of 2013 and that raises substantial doubt about its ability to continue as a going concern. The Board of Trustees' plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2013 on our consideration of the Jefferson Federation of Teachers Health & Welfare Fund's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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

Jefferson Federation of Teachers  
Health & Welfare Fund

August 31, 2012

Benefit Obligations

Estimated dental and vision claims incurred, but not reported	\$ 135,815
Claims reported, but not paid	<u>21,285</u>
Total benefit obligations	<u>157,100</u>

Net Assets

Investments, at fair value:	
Money market funds	9,887
Mutual funds	992,798
U.S. government securities	140,727
Common stock	<u>971,674</u>
Total investments	<u>2,115,086</u>
Receivables and prepaid expenses:	
Contributions receivable	164,924
Accrued interest receivable	2,363
Prepaid expenses	<u>32,802</u>
Total receivables and prepaid expenses	<u>200,089</u>
Cash	<u>76,949</u>
Property and equipment:	
Furniture and equipment	413,671
Less accumulated depreciation	<u>391,380</u>
Total property and equipment	<u>22,291</u>
Total assets	<u>2,414,415</u>

Liabilities

Accounts payable and accrued liabilities	<u>101,067</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>2,313,348</u>
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ 2,156,248</u>

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

Jefferson Federation of Teachers  
Health & Welfare Fund

Year ended August 31, 2012

Net Increase (Decrease) in Benefit Obligations

Increase (Decrease) during the year attributable to:

Estimated dental and vision claims incurred, but not reported	\$ 15,032
Claims reported, but not paid	<u>(24,432)</u>
	<u>(9,400)</u>

Net Increase (Decrease) in Net Assets Available for Benefits

Contributions:

Jefferson Parish School Board	1,385,405
Voluntary employee	<u>1,168,008</u>
Total contributions	<u>2,553,413</u>

Investment income:

Net increase in fair value of investments	37,049
Interest and dividends	<u>50,431</u>
	87,480
Less investment expenses	<u>24,885</u>
Net investment income	<u>62,595</u>

Other income

Total additions	<u>2,028</u>
	<u>2,618,036</u>

Payments:

Benefit premiums	63,466
Dental and vision claims	<u>1,843,871</u>
	1,907,337

Administrative expenses

Total deductions	<u>418,628</u>
	<u>2,325,965</u>

NET INCREASE

292,071

Increase in Net Assets Available for Benefits

<u>Over Benefit Obligations</u>	301,471
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Excess of Net Assets Available for Benefits

<u>Over Benefit Obligations</u>	
Beginning of period	<u>1,854,777</u>
End of period	<u>\$ 2,156,248</u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Jefferson Federation of Teachers Health & Welfare Fund

August 31, 2012

#### Note 1 - FUND DESCRIPTION

The Fund was established May 9, 1983 pursuant to a collective bargaining agreement entered into by and between the Jefferson Parish School Board ("Employer") and the Jefferson Federation of Teachers ("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 9, 1983 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). The Plan is not 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 ten Trustees, five of whom are appointed by and represented by the Employer, and five of whom are appointed by and represented by the Union. In the event of an Employer-Union deadlock in the Trustee votes, the Trust Agreement requires the parties to arbitrate any question concerning the Fund's administration. 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, vision, and death benefits and does not offer major medical benefits of any kind because this Fund's participants are also eligible participants in the State Employees Group Benefit Program. The Trustees of the Jefferson Federation of Teachers Health & Welfare Fund limit benefit coverage to those excess or non-core benefits not offered by the statewide Fund.

Effective January 1, 1991, the Fund began to self insure all benefits payable by the Plan with the exception of its life insurance program, which is still fully insured.

The Fund is self administered by an Administrative Manager and staff employed directly by the Board of Trustees.

## 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.

The Fund depreciates its furniture and equipment over useful lives of three to seven years using the straight-line method. Depreciation expense for the year ended August 31, 2012 was \$14,470.

The liabilities for dental and vision claims were estimated by the Plan's actuary based on a percentage of paid claims for the year ended August 31, 2012.

Investments are valued at quoted market price.

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.

## Note 3 - FUNDING POLICY

The Jefferson Parish School Board contributed \$1,385,405 to the Fund for the year ended August 31, 2012. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$734,032 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. COBRA contributions totaled \$433,976 for the year ended August 31, 2012.

## Note 4 - INVESTMENTS

The Plan's assets are held by a bank custodian and are invested by a professional investment manager pursuant to investment guidelines issued by the Trustees and pursuant to the bank's written contract with the Board. During the year the Fund's investments (including investments bought, sold and held during the period) increased in value by \$37,049 as follows:

Note 4  
(Continued)

	Net Increase (Decrease) in Value During <u>Year</u>	Fair market <u>value</u>
Investments at fair value as determined by quoted market price:		
Money market funds	\$ -	\$ 9,887
Mutual funds	10,341	992,798
U.S. Government securities	(7,417)	140,727
Corporate bonds and notes	(7,395)	-
Common stock	<u>41,520</u>	<u>971,674</u>
	<u>\$ 37,049</u>	<u>\$ 2,115,086</u>

The fair value of individual investments that represent five percent or more of the plan's total assets are as follows:

Federal Farm Credit Banks Consolidated Bond 4.50%	\$ 140,727
Ishares Tr Barclays 1-3 Year Credit Bond Fund	\$ 147,714
Ishares Barclay 1-3 Year Treasury Bond Fund	\$ 135,216
MFC Ishares Tr Barclay TIPS Bond Fund	\$ 242,280
PIMCO Enhanced Short Maturity Fund	\$ 223,058
MFC Vanguard Bond Index Fund Short Term Bond	\$ 244,530

Note 5 – FAIR VALUE MEASUREMENTS

ASC Section 820, Fair Value Measurements and Disclosures, issued by the FASB, establishes a framework of measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Section 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.

Note 5  
(Continued)

- Level 2 Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for an asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimizes the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2012:

*Corporate Equities, Corporate Bonds, and U.S. Government Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Money Market Funds:* Valued at the closing price reported on the active market on which the funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2012:

	Investment Assets at Fair Value			
	As of August 31, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 9,887	\$ -	\$ -	\$ 9,887
Mutual funds	992,798	-	-	992,798
U.S. government securities	140,727	-	-	140,727
Common stock	971,674	-	-	971,674
Total assets at Fair Value	<u>\$2,115,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,115,086</u>

#### Note 6 - INCOME TAXES

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

#### Note 7 - 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 8 - LEASING ARRANGEMENTS

The Fund's office facilities were rented under a non-cancelable operating lease through May 31, 2009. This lease was extended to May 31, 2013. Future fixed rentals under the lease for the year ended August 31, 2013 was \$17,723. Rent expense for the year ended August 31, 2012 totaled \$23,380.

#### Note 9 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

#### Note 10 – 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 August 31, 2009, 2010 and 2011.

#### Note 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were issued, January 10, 2013, 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.

Note 12 – GOING CONCERN

The collective bargaining agreement that provided for the Jefferson Parish School Board (“Board”) to contribute to the Plan terminated in June 2012. The Board has expressed a desire to discontinue funding the Plan and provide the benefits that are provided by the Plan by other means. The Board did enter into multiple letter agreements that extended their contributions to the Plan through June 30, 2013. The Agreement and Declaration of Trust (“Trust”) governing the Fund provides that the Trust will terminate in the event there is no longer an agreement between the parties requiring contributions and payments by the Board to the Fund. The Board of Trustees believes that the Fund is still an economical and viable method to provide the benefits offered and they are actively in negotiations with the Board to extend the agreement beyond June 30, 2013 to provide contributions to the Plan. If such negotiations are not successful, then the Plan will terminate and the Plan would cease to be a going concern.

ADMINISTRATIVE EXPENSES

Jefferson Federation of Teachers  
Health & Welfare Fund

Year ended August 31, 2012

Accounting and auditing	\$ 22,854
Banking fees	6,505
Computer expenses	57,527
Consulting	24,927
Depreciation	14,470
Employee benefits	42,402
Insurance	9,486
Legal	15,302
Maintenance	4,505
Meetings	3,074
Miscellaneous	1,299
Postage	13,367
Printing and publications	1,016
Rent	23,380
Salaries	161,225
Stationery and supplies	8,673
Telephone	6,415
Training and conferences	1,329
Utilities	<u>872</u>
Total administrative expenses	<u>\$ 418,628</u>

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

January 10, 2013

To the Trustees  
Jefferson Federation of Teachers  
Health & Welfare Fund  
Metairie, 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 Jefferson Federation of Teachers Health & Welfare Fund as of and for the year ended August 31, 2012 and have issued our report thereon dated January 10, 2013. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Jefferson Federation of Teachers Health & Welfare Fund's internal control over financial reporting in order to determine 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 Jefferson Federation of Teachers 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.

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 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.

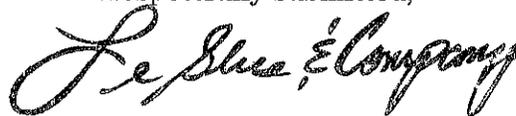
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Federation of Teachers Health & Welfare Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 result of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the management, Board of Trustees, and the Legislative Auditor's office. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

  
(A Professional Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson Federation of Teachers Health & Welfare Fund

Year ended August 31, 2012

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

\_\_\_\_\_ Yes      X   No

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

Section II – Financial Statement Findings - NONE