

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

Financial Statement

Years Ended December 31, 2017 and 2016

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PEDELAHORE & CO., LLP
Certified Public Accountants

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Tammany Federation of Teachers/School Health & Welfare Fund (a nonprofit organization) which comprise the statements of benefit obligations and net assets available for benefits as of December 31, 2017 and 2016, and the related statements of changes in benefit obligations and net assets available for benefits for the years 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 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 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 present fairly, in all material respects, the benefit obligations and net assets available for benefits of the St. Tammany Federation of Teachers/School Health & Welfare Fund as of December 31, 2017 and 2016, and the changes in its benefit obligations and net assets available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

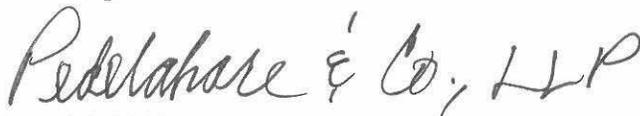
Other Matters

Other Information

Our audits was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of administrative expenses and the schedule of compensation, benefits, and other payments to agency heard or chief executive officer are presented for purposes of additional analysis and are not a required part of the financial statements. 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 26, 2018 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.



June 26, 2018
New Orleans, Louisiana

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Statements Of Benefit Obligations And Net Assets
Available For Benefits
December 31, 2017 and 2016

	2017	2016
<u>Benefit Obligations</u>		
Estimated claims incurred, but not reported	<u>\$ 67,100</u>	<u>\$ 75,100</u>
<u>Assets</u>		
Receivables:		
Participant's contributions	<u>50,513</u>	<u>46,177</u>
Total current assets	<u>50,513</u>	<u>46,177</u>
Cash	<u>1,690,507</u>	<u>1,825,337</u>
Total Assets	<u>1,741,020</u>	<u>1,871,514</u>
<u>Liabilities And Deferred Contributions</u>		
Accounts payable and accrued expenses	81,932	69,361
Due to St. Tammany Federation of Teachers/ School Employees	23,021	-
Deferred contributions	<u>330,000</u>	<u>330,000</u>
Total liabilities and deferred contributions	<u>434,953</u>	<u>399,361</u>
Net Assets Available for Benefits	<u>1,306,067</u>	<u>1,472,153</u>
Excess of Net Assets Available For Benefits Over Benefit Obligations	<u>\$ 1,238,967</u>	<u>\$ 1,397,053</u>

The Notes to Financial Statements are an integral part of these statements.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Statements Of Changes In Benefit Obligations And
Net Assets Available For Benefits
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Net Increase (Decrease) In Benefit Obligations</u>		
Increase during the year attributable to:		
Estimated claims incurred, but not reported	\$ <u>8,000</u>	\$ <u>4,800</u>
<u>Net Increase (Decrease) In Net Assets Available For Benefits</u>		
Contributions:		
St. Tammany Parish School Board	660,000	660,000
Voluntary employee (including COBRA payments)	<u>603,634</u>	<u>574,884</u>
Total contributions	1,263,634	1,234,884
Interest income	1,513	1,574
Miscellaneous income	<u>1,012</u>	<u>223</u>
Total additions	<u>1,266,159</u>	<u>1,236,681</u>
Payments:		
Claims	1,170,007	1,063,363
Administrative expenses	227,978	225,429
Other payments - losses	<u>18,260</u>	<u>45,266</u>
Total deductions	<u>1,416,245</u>	<u>1,334,058</u>
Net Decrease	<u>(150,086)</u>	<u>(97,377)</u>
<u>Decrease In Net Assets Available For Benefits Over Benefit Obligations</u>	(158,086)	(102,177)
<u>Excess Of Net Assets Available For Benefits Over Benefit Obligations</u>		
Beginning of year	<u>1,397,053</u>	<u>1,499,230</u>
End of year	<u>\$ 1,238,967</u>	<u>\$ 1,397,053</u>

The Notes to Financial Statements are an integral part of these statements.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2017 and 2016

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 employees 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 Relation Act, despite its collectively bargained status, since the Act exempts from its purview employers and union 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.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2017 and 2016

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.

The benefit obligation for estimated claims incurred, but not reported were estimated by this Plan's actuary based on a percentage of claims paid for the years ended December 31, 2017 and 2016.

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 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 annually to the Fund for the years ended December 31, 2017 and 2016. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$603,634 and \$574,884 to obtain dependent coverage for the years ended December 31, 2017 and 2016, respectively.

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.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2017 and 2016

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

The employee of the Fund participates in the Louisiana Teachers' Retirement System and therefore, accrues credits in the 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 Union for office facilities, some equipment, personnel costs and miscellaneous operating expenses. Total reimbursements for these expenditures for the years ended December 31, 2017 and 2016 were \$7,437 and \$43,009, respectively.

Note 8. Tax Positions

Management has reviewed all tax positions taken in filing 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, 2016, 2015 and 2014.

Note 9. Other Payments - Losses

Inaccuracies were discovered in May 2017 in the plan's enrollee database which resulted in claims and service charges being paid for individuals no longer eligible to be enrolled and/or individuals enrolled with the incorrect coverage. After identifying and correcting the database errors, management was able to make reasonable estimates of such payments for the years ended December 31, 2017 and 2016, totaling \$18,260 and \$45,266, respectively. These payments have been reclassified as "Other payments – losses" in the financial statements.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2017 and 2016

Note 10. Subsequent Events

In preparing the financial statements, management has evaluated transactions and events for potential recognition or disclosure through June 26, 2018, the date the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Supplementary Information

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund
Schedules Of Administrative Expenses**
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Benefit administration	\$ 109,617	114,428
Salaries	43,361	41,937
Professional fees	18,120	20,382
Employee benefits	10,680	14,705
Health insurance	10,032	7,661
Meetings and conventions	9,215	7,108
Payroll taxes	6,719	4,565
Postage and supplies	4,744	3,857
Office expense	2,629	2,684
Office rent	7,224	2,484
Consultants	2,650	2,330
Miscellaneous	675	1,299
Telephone	401	1,119
Utilities	756	519
Dues and subscriptions	332	266
Repair and maintenance	<u>823</u>	<u>85</u>
 Total administrative expense	 <u>\$ 227,978</u>	 <u>225,429</u>

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Schedule Of Compensation, Benefits And Other Payments
To Agency Head Or Chief Executive Officer
Year Ended December 31, 2017

The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented in compliance with Act 706 of the 2014 Session of the Louisiana Legislature.

Agency Head Name: **Deborah Green**

<u>Purpose</u>	<u>2017</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by government	-
Dues	1,205
Per diem	-
Reimbursements	-
Travel	-
Registration fees	1,615
Conference travel	1,005
Continuing professional education fees	-
Housing - conference lodging	755
Unvouchered expense	-
Special meals	229
	<u>4,809</u>
	<u>\$ 4,809</u>

PEDELAHORE & CO., LLP

Certified Public Accountants

Independent Auditor's Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards

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

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, 2017, 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 26, 2018.

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 (internal control) 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. 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 statement 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.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings and management's responses and corrective action that we consider to be significant deficiencies. The finding is listed as 2017-001.

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*.

Fund's Responses to Findings

The Fund's responses to the findings identified in our audit are described in the accompanying schedule of current year findings and management's responses and corrective action. The Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 suitable for any other purpose.



June 26, 2018
New Orleans, Louisiana

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Schedule Of Current Year Findings And
Management's Responses And Corrective Action
Year Ended December 31, 2017

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report

Unmodified

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

Reference Number

2017-001 – Financial Statement Preparation (Repeat Finding)

Criteria

The Fund should have internal control procedures which ensure the annual financial statements (and related note disclosures) are prepared in accordance generally accepted accounting principles.

Condition

As is common for a Fund this size, the Fund lacks personnel with the expertise necessary to prepare annual financial statements with all required disclosures in accordance with accounting principles generally accepted in the United States of America. This is in and of itself considered a significant deficiency in the Fund's internal control.

Cause

The Fund began handling its own accounting in 2015. It was previously handled by a third party outside accounting firm. The personnel preparing the accounting records lack the experience and expertise necessary to prepare annual financial statements with all the required disclosures in accordance with accounting principles generally accepted in the United States of America.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Schedule Of Current Year Findings And
Management's Responses And Corrective Action
Year Ended December 31, 2017

Effect or Potential Effect

The Fund's presentation of its financial operations could include omissions and/or errors.

Recommendation

We recommend that management employ an individual with suitable skills and expertise or hire another outside accounting firm with suitable skills and expertise to prepare annual financial statements with all required disclosures in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the finding and further notes that the accounting was brought back internally in an effort to save costs; implementing the recommended actions would be cost prohibitive at this time. Management also acknowledges that it currently has access to an individual with suitable skills from the American Federation of Teachers (AFT) who periodically reviews the accounting activity and can advise the Fund on accounting matters.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Schedule Of Prior Year Findings
Year Ended December 31, 2017

Reference Number

2016-01 – Maintenance of Enrollee Database

Condition

The enrollee database was not accurate as to the number of eligible employees and the type of coverage (employee only or employee+spouse/family).

Recommendation

We recommend that management of the Fund implement appropriate procedures, including enhanced supervision and oversight, to ensure the enrollee database is maintained accurately and timely.

Status

Resolved. Appropriate procedures have been put in place with the St. Tammany School Board to adequately account for enrollee data and maintenance of the database.

Reference Number

2016-02 – Preparation of Financial Statements (Repeat Finding)

Condition

As is common for a Fund this size, the Fund lacks personnel with the expertise necessary to prepare annual financial statements with all required disclosures in accordance with accounting principles generally accepted in the United States of America. This is in and of itself considered a significant deficiency in the Fund's internal control.

Recommendation

We recommend that management employ an individual with suitable skills and expertise or hire another outside accounting firm with suitable skills and expertise to prepare annual financial statements with all required disclosures in accordance with accounting principles generally accepted in the United States of America.

Status

Unresolved. – See Finding 2017-001.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Schedule Of Prior Year Findings
Year Ended December 31, 2017

Reference Number

2016-03 – Timely Submission of Audited Financial Statements

Condition

The Fund did not meet the June 30, 2017 deadline for filing with the Legislative Auditor. Management of the Fund requested and received an extension of time until July 31, 2017 from the Legislative Auditor to file its financial statements.

Recommendation

We recommend that the Fund be aware of the filing requirements and develop a plan (and/or employ the resources necessary) to ensure accurate data and information is provided to the auditors in order to prevent future late submission.

Status

Resolved. The current year's audited financial statements are being submitted timely.