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

Slidell, Louisiana

December 31, 2002

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 8/13/03
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**Health & Welfare Fund**  
**December 31, 2002**

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

June 13, 2003  

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, 2002, 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 U.S. 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, 2002, and the changes in benefit obligations and net assets available for benefits for the year then ended in conformity with U.S. generally accepted accounting principles.  

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2003 on our consideration of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.
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)
STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS
AVAILABLE FOR BENEFITS

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

December 31, 2002

Benefit Obligations
Estimated claims incurred, but not reported $ 52,100

Assets
Receivables:
   St. Tammany Parish School Board contributions 635,000
   Participant's contributions 24,525
   Total receivables 659,525

Cash 1,223,079

Property and equipment
   Equipment 9,058
   Less accumulated depreciation 8,002
   Total property and equipment 1,056

Total assets 1,883,660

Liabilities and Deferred Contributions
   Accounts payable for administrative expenses 37,159
   Deferred contributions 317,500

   Total liabilities and deferred contributions 354,659

NET ASSETS AVAILABLE FOR BENEFITS 1,529,001

EXCESS OF NET ASSETS AVAILABLE FOR
BENEFITS OVER BENEFIT OBLIGATIONS $ 1,476,901

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, 2002

Net Increase in Benefit Obligations
Increase (Decrease) during the year attributable to:
  Estimated claims incurred, but not reported $ 3,600

Net Increase in Net Assets Available for Benefits
Contributions:
  St. Tammany Parish School Board 635,000
  Voluntary employee 303,177
  Total contributions 938,177

Investment income:
  Interest 11,292

Total additions 949,469

Payments:
  Claims 658,998

Administrative expenses 118,107

Total deductions 777,105

NET INCREASE 172,364

Increase in Net Assets Available for Benefits Over Benefit Obligations 168,764

Excess of Net Assets Available for Benefits Over Benefit Obligations
  Beginning of year 1,308,137

  End of year $1,476,901

See accompanying notes to financial statements.
NOTES TO FINANCIAL STATEMENTS
St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund
December 31, 2002

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, 2002 was $1,812.

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, 2002.

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 $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 $635,000 to the Fund for the year ended December 31, 2002. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed $303,177 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 - INVESTMENTS

The Fund's assets 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 reimburses the St. Tammany Federation of Teachers/School Employees for office facilities, some equipment, and personnel costs. The amount of such reimbursements for the year totaled $28,997. As of December 31, 2002 the Fund was indebted to the St. Tammany Federation of Teachers/School Employees for such services in the amount of $16,535. This amount is included in accounts payable for administrative expenses in the accompanying financial statements.
## ADMINISTRATIVE EXPENSES

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

Year ended December 31, 2002  

(See Independent Auditors' Report on Supplementary Information)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Benefit administration</td>
<td>$ 58,622</td>
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<tr>
<td>Banking fees</td>
<td>850</td>
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<tr>
<td>Consulting services</td>
<td>5,535</td>
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<tr>
<td>Depreciation</td>
<td>1,812</td>
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<tr>
<td>Education</td>
<td>2,399</td>
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<tr>
<td>Postage and supplies</td>
<td>679</td>
</tr>
<tr>
<td>Professional fees</td>
<td>19,213</td>
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<tr>
<td>Salaries and reimbursements</td>
<td>28,997</td>
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<tr>
<td><strong>Total administrative expenses</strong></td>
<td><strong>$ 118,107</strong></td>
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LeGlue & Company, CPA's  
(A Professional Corporation)  

June 13, 2003  

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, 2002 and have issued our report dated June 13, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.  

Compliance  

As part of obtaining reasonable assurance about whether St. Tammany Federation of Teachers/School Employees Health & Welfare Funds' 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."  

Internal Control over Financial Reporting  

In planning and performing our audit, we considered St. Tammany Federation of Teachers/School Employees Health & Welfare Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.
This report is intended for the information 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,

[Signature]

(A Professional Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
St. Tammany Federation of Teachers/School Employees Health & Welfare Fund
Year ended December 31, 2002

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
• Reportable condition(s) 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIOR YEAR

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

Year ended December 31, 2002

Prior year finding: 01-1

Criteria: Operation of internal control components should reduce to a low level of risk misstatements in financial statements.

Condition: Two payments of benefits were for members no longer eligible for benefits.

Questioned cost: Two benefit payments totaling $140.48.

Context: Three thousand six hundred twenty one disbursements during the period of which sixty were tested.

Effect: Internal control procedures not complied with resulting in payment of ineligible benefits.

Cause: Administrative personnel did not follow internal control functions as designed.

Recommendation: Review internal control procedures with appropriate personnel and emphasize importance of these procedures.

Managements’ response: All appropriate personnel will be required to review internal control procedures. Management will emphasize the importance of complying with these procedures.