

Jefferson Federation of Teachers
Health & Welfare Fund

Metairie, Louisiana

August 31, 2004

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 2-9-05

TABLE OF CONTENTS

Jefferson Federation of Teachers
Health & Welfare Fund

August 31, 2004

INDEPENDENT AUDITORS' REPORT.....	1
STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR BENEFITS	3
STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR BENEFITS	4
NOTES TO FINANCIAL STATEMENTS.....	5-8
SCHEDULE OF ADMINISTRATIVE EXPENSES	9
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.....	10-11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – SECTION I AND II.....	12

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November 17, 2004

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, 2004, 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 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 provide 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, 2004, 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.

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 November 17, 2004 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. 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 handwritten signature in cursive script that reads "T. E. Blue & Company".

(A Professional Corporation)

STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS
AVAILABLE FOR BENEFITS

Jefferson Federation of Teachers
Health & Welfare Fund

August 31, 2004

Benefit Obligations

Estimated dental and vision claims incurred, but not reported	\$ 268,500
Claims reported, but not paid	60,992
Total benefit obligations	<u>329,492</u>

Net Assets

Investments, at fair value:	
Money market funds	143,269
Corporate bonds and notes	1,550,877
Common stock	1,215,961
Total investments	<u>2,910,107</u>

Receivables and prepaid expenses:

Contributions receivable	98,864
Due from affiliate	31,749
Accrued interest receivable	33,511
Prepaid expenses	16,238
Total receivables and prepaid expenses	<u>180,362</u>

Cash	<u>81,733</u>
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Property and equipment:

Furniture and equipment	532,963
Less accumulated depreciation	251,201
Total property and equipment	<u>281,762</u>

Total assets	<u>3,453,964</u>
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Liabilities

Accounts payable and accrued liabilities	<u>125,432</u>
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NET ASSETS AVAILABLE FOR BENEFITS	<u>3,328,532</u>
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EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ 2,999,040</u>
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STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS AND
NET ASSETS AVAILABLE FOR BENEFITS

Jefferson Federation of Teachers
Health & Welfare Fund

Year ended August 31, 2004

Net Increase (Decrease) in Benefit Obligations

Increase (Decrease) during the year attributable to:

Estimated dental and vision claims incurred, but not reported	\$ 2,700
Estimated disability claims incurred, but not reported	-
Claims reported, but not paid	<u>3,074</u>
	<u>5,774</u>

Net Increase (Decrease) in Net Assets Available for Benefits

Contributions:

Jefferson Parish School Board	1,174,847
Voluntary employee	923,822
Miscellaneous income	<u>1,322</u>
Total contributions	<u>2,099,991</u>

Investment income:

Net increase in fair value of investments	124,827
Interest and dividends	<u>120,194</u>
	245,021
Less investment expenses	<u>20,802</u>
Net investment loss	<u>224,219</u>

Total additions	<u>2,324,210</u>
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Payments:

Benefit premiums	239,151
Dental, vision and disability claims	<u>1,818,570</u>
	2,057,721

Administrative expenses

Total deductions	<u>520,191</u>
	<u>2,577,912</u>

<u>NET INCREASE (DECREASE)</u>	<u>(253,702)</u>
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Decrease in Net Assets Available for Benefits

<u>Over Benefit Obligations</u>	(259,476)
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Excess of Net Assets Available for Benefits

<u>Over Benefit Obligations</u>	
Beginning of period	<u>3,258,516</u>
End of period	<u>\$ 2,999,040</u>

NOTES TO FINANCIAL STATEMENTS

Jefferson Federation of Teachers Health & Welfare Fund

August 31, 2004

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 five to seven years using the straight-line method. Depreciation expense for the year ended August 31, 2004 was \$36,808.

The liabilities for dental vision claims were estimated by the Plan's actuary based on a percentage of paid claims for the year ended August 31, 2004.

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 \$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 Jefferson Parish School Board contributed \$1,174,847 to the Fund for the year ended August 31, 2004. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$923,822 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 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 \$124,827 as follows:

	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	\$ -	\$ 143,269
Mutual funds	26,434	-
Corporate bonds and notes	(38,338)	1,550,877
Common stock	<u>136,731</u>	<u>1,215,961</u>
	<u>\$ 124,827</u>	<u>\$ 2,910,107</u>

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

Ford Motor Co. debentures (\$200,000 face amount)	\$ 212,590
Entergy Louisiana, Inc. debentures (\$200,000 face amount)	204,088
Kimco Realty Corp. debentures (\$200,000 face amount)	209,978

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 are rented under a non-cancelable operating lease through May 31, 2005. Future fixed rentals under the lease are as follows:

Year ended	
<u>August 31</u>	<u>Amount</u>
2005	<u>\$ 15,116</u>

Rent expense for the year ended August 31, 2004 totaled \$19,894.

ADMINISTRATIVE EXPENSES

Jefferson Federation of Teachers
Health & Welfare Fund

Year ended August 31, 2004

Accounting and auditing	\$ 14,677
Banking fees	9,075
Computer expenses	33,895
Consulting	55,823
Depreciation	36,808
Employee benefits	30,412
Insurance	6,853
Legal	25,053
Maintenance	21,873
Meetings	1,555
Miscellaneous	13,445
Postage	22,206
Printing and publications	16,440
Rent	19,894
Salaries	149,804
Stationery and supplies	12,992
Telephone	11,323
Training and conferences	36,125
Utilities	<u>1,938</u>
Total administrative expenses	<u>\$ 520,191</u>

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November 17, 2004

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, 2003 and have issued our report dated

November 17, 2004. 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 Jefferson Federation of Teachers 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 Jefferson Federation of Teachers 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.

Members of American Institute of Certified Public Accountants, and
Securities and Exchange Practice Section
Society of Louisiana Certified Public Accountants

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,

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

(A Professional Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson Federation of Teachers Health & Welfare Fund

Year ended August 31, 2004

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 no

• Reportable condition(s) identified that are not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Section II - Financial Statement Findings - NONE