

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

Financial Statements

Years Ended December 31, 2020 and 2019

Table Of Contents

	Page
Report Of Certified Public Accountants	1
Financial Statements	
Statements Of Benefit Obligations And Net Assets Available For Benefits	3
Statements Of Changes In Benefit Obligations And Net Assets Available For Benefits	4
Notes To Financial Statements	5
Supplementary Information	
Schedules Of Administrative Expenses	11
Schedule of Compensation, Benefits And Other Payments To Agency Head or Chief Executive Officer	12
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Governmental Auditing Standards</i>	13
Schedule Of Current Year Findings And Management's Responses And Corrective Action	15
Schedule Of Prior Year Findings	17

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 Employees Health & Welfare Fund (a nonprofit organization) which comprise the statements of benefit obligations and net assets available for benefits as of December 31, 2020 and 2019, 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.

- 1 -

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, 2020 and 2019, 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 were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of administrative expenses and the schedule of compensation, benefits and other payments to agency head 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 28, 2021 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.

Pedelahore & Co, LLP

Metairie, Louisiana
June 28, 2021

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Statements Of Benefit Obligations And Net Assets
Available For Benefits
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Benefit Obligations</u>		
Estimated claims incurred, but not reported	<u>\$ 69,935</u>	<u>\$ 57,400</u>
<u>Assets</u>		
Receivables:		
Participant's contributions	<u>52,253</u>	<u>51,527</u>
	<u>52,253</u>	<u>51,527</u>
Cash	<u>1,518,454</u>	<u>1,497,804</u>
Total Assets	<u>1,570,707</u>	<u>1,549,331</u>
<u>Liabilities And Deferred Contributions</u>		
Accounts payable and accrued expenses	<u>4,375</u>	<u>58,711</u>
Deferred contributions	<u>330,000</u>	<u>330,000</u>
Total liabilities and deferred contributions	<u>334,375</u>	<u>388,711</u>
Net Assets Available For Benefits	<u>1,236,332</u>	<u>1,160,620</u>
Excess of Net Assets Available For Benefits Over Benefit Obligations	<u>\$ 1,166,397</u>	<u>\$ 1,103,220</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Increase (Decrease) In Benefit Obligations		
Increase during the year attributable to:		
Estimated claims incurred, but not reported	<u>\$ 12,535</u>	<u>\$ 3,300</u>
Net Increase (Decrease) In Net Assets Available For Benefits		
Contributions:		
St. Tammany Parish School Board	660,000	660,000
Voluntary employee (including COBRA payments)	<u>659,395</u>	<u>662,921</u>
Total contributions	1,319,395	1,322,921
Miscellaneous income	<u>-</u>	<u>4</u>
Total additions	<u>1,319,395</u>	<u>1,322,925</u>
Payments:		
Claims	1,021,026	1,153,904
Administrative expenses	<u>222,657</u>	<u>232,350</u>
Total deductions	<u>1,243,683</u>	<u>1,386,254</u>
Net Increase (Decrease)	<u>75,712</u>	<u>(63,329)</u>
Increase (Decrease) In Net Assets Available For Benefits Over Benefit Obligations	63,177	(66,629)
Excess Of Net Assets Available For Benefits Over Benefit Obligations		
Beginning of year	<u>1,103,220</u>	<u>1,169,849</u>
End of year	<u>\$ 1,166,397</u>	<u>\$ 1,103,220</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, 2020 and 2019

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, 2020 and 2019

Note 2. Summary Of Significant Accounting Policies

General

The financial statements of the Fund have been prepared using the accrual basis of accounting.

Contributions

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.

Claims incurred but not reported

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, 2020 and 2019.

Estimates

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.

Note 3. Funding Policy

The St. Tammany Parish School Board contributed \$660,000 annually to the Fund for the years ended December 31, 2020 and 2019. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$659,395 and \$662,921 to obtain dependent coverage for the years ended December 31, 2020 and 2019, respectively.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2020 and 2019

Note 3. Funding Policy (continued)

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. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. A bank custodian holds the Fund's assets.

Note 5. Concentrations Of Credit Risk

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 6. Retirement Plan

The employee of the Fund participates and accrues credits in the St. Tammany school system's defined benefit pension plan, the Teachers' Retirement System of Louisiana, in accordance with its own eligibility rules. Total contributions for retirement benefits for 2020 and 2019 were \$11,146 and \$10,920, respectively.

Information concerning the actuarial soundness and vested and non-vested benefits is available in the pension plan's publicly available financial reports.

Note 7. Related Party Arrangements

The Fund reimburses the St. Tammany Federation of Teachers/School Employees Union for various operating expenses such as office facilities, utilities and telephones. Total reimbursements for these expenditures for the years ended December 31, 2020 and 2019 were \$9,903 and \$9,490, respectively.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2020 and 2019

Note 8. Commitments

Equipment Leases

In June 2020, the Organization entered into a sixty month operating lease for equipment at a monthly rental of \$60. For the years ended December 31, 2020, lease expense amounted to \$360.

Note 8. Commitments (continued)

Future minimum lease payments under the operating leases at December 31, 2020 were as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 720
2022	720
2023	720
2024	720
2025	360
	<u>\$ 3,240</u>

Note 9. Tax Positions

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

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, 2019, 2018 and 2017.

Note 10. Risks And Uncertainties – Significant Estimates

Estimated claims incurred but not reported are based on formulas representative of reasonable levels of such claims as established by industry standards. The standards are based on insurance company studies, lag studies and certain actuarial assumptions. Due to uncertainties inherent in the estimations and assumptions processes, it is a least reasonably possible that changes in these estimates in the near term would be material to the financial statements.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Notes To Financial Statements
Years Ended December 31, 2020 and 2019

Note 10. Risks And Uncertainties – Significant Estimates (continued)

As a result of the spread of the COVID-19, economic uncertainties have arisen which may impact the employee contributions for the Fund. Other financial impacts could occur although such potential impact is unknown at this time.

Note 11. Subsequent Events

In preparing the financial statements, management has evaluated transactions and events for potential recognition or disclosure through June 28, 2021 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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Benefit administration	\$ 118,274	\$ 125,939
Salaries	41,780	40,900
Professional fees	16,940	16,675
Employee benefits	11,146	10,920
Health insurance	7,384	6,996
Office rent	6,912	6,624
Payroll taxes	6,750	6,549
Meetings and conventions	3,126	6,550
Telephone	2,261	2,017
Postage and supplies	1,988	2,602
Office expense	1,855	3,229
Dues reimbursement	1,845	1,182
Legislative expense	1,216	1,099
Utilities	730	843
Repair and maintenance	<u>450</u>	<u>225</u>
 Total administrative expense	 <u>\$ 222,657</u>	 <u>\$ 232,350</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, 2020

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>2020</u>
<u>Purpose</u>	
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by government	-
Dues	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	1,275
Conference travel	-
Continuing professional education fees	-
Housing - conference lodging	-
Unvouchered expense	-
Special meals	-
	<u> </u>
	<u>\$ 1,275</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, 2020, 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 28, 2021.

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.

-13-

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 have not been 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 2020-001.

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 Response to Findings

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

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.

Pedelahare & Co, LLP

Metairie, Louisiana
June 28, 2021

**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, 2020

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 ☒ No
- Significant deficiency(ies) 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

Reference Number

2020-01 – Maintenance of Enrollee Database

Criteria

Management of St. Tammany Federation of Teachers/School Employee Health & Welfare Fund (the Fund) is responsible for the design and implementation of internal controls to safeguard the assets of the Fund.

Condition

The enrollee database was not accurate as to the number of eligible employees.

Cause

Due to the lack of information provided by outside sources, the database was not being maintained timely and accurately.

**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, 2020**

Effect

Inaccuracies in the database resulted in claims and service charges being paid for individuals not eligible to be enrolled. Management was able to make reasonable estimates of such payments for the year ended December 31, 2020 totaling \$13,125.

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. Specifically, the Fund may consider the following:

- Continue to survey database for individuals wrongly enrolled, or enrolled with incorrect coverage.
- Establish procedures (with the St. Tammany Parish School Board) to ensure the enrollee database can be maintained accurately, i.e., to timely record - eligible new hires, changes in coverage, terminations, etc.
- Establish procedures (with the School Board) to ensure accuracy in payroll deductions for proper monthly contributions are being applied accordingly.
- Implement internal procedures to monitor appropriate maintenance of the enrollee database.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the finding and has employed all available resources to identify the errors in the database so that a reasonable estimate of the inaccuracies could be determined. We are continuing to make any further necessary corrections and adjustments in order to ensure the database is accurate. Procedures will be implemented and coordinated with the School Board to ensure new participants and terminations are recorded accurately and timely.

**St. Tammany Federation of Teachers/School
Employees Health & Welfare Fund**
Schedule Of Prior Year Findings
Year Ended December 31, 2020

Reference Number

2019-001 – 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.

Status

Resolved.