

**CITY OF NATCHITOCHEs**  
**EMPLOYEE BENEFIT PLAN**  
**EIN 72-600931**  
**PLAN #501**

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**Financial Statements**  
**July 31, 2021**



INDEPENDENT AUDITOR'S REPORT

To Trustees of City of Natchitoches  
Employee Benefit Plan

**Report on the Financial Statements**

We have audited the accompanying financial statements of City of Natchitoches Employee Benefit Plan (the Plan), which comprise the statement of net assets available for benefits and of benefit obligations as of July 31, 2021 and 2020, and the related statement of changes in net assets available for benefits and of changes in benefit obligations for the year ended July 31, 2021, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Plan 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 Plan'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 Plan'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 financial status of the Plan as of July 31, 2021 and 2020, and the changes in its financial status for the year ended July 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. 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 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 the Plan's internal control over financial reporting and compliance.

*Broussard and Company*

February 25, 2022  
Lake Charles, Louisiana

CITY OF NATCHITOCHEs  
EMPLOYEE BENEFIT PLAN  
EIN 72-6000931  
Plan #501

Statements of Benefit Obligations and Net Assets  
Available for Benefits  
July 31,

	2021	2020
<u>BENEFIT OBLIGATIONS</u>		
Claims payable	\$ 26,285	\$ 50,518
Claims incurred but not reported	570,616	402,653
Total obligations other than postretirement benefit obligations	596,901	453,171
 <u>NET ASSETS</u>		
ASSETS		
Cash - interest bearing	95,238	48,590
Insurance company reimbursements receivable	451,263	28,525
Refunds receivable	61,754	-
TOTAL ASSETS	608,255	77,115
LIABILITIES		
Cash overdraft	-	-
TOTAL LIABILITIES	-	-
NET ASSETS AVAILABLE FOR BENEFITS	608,255	77,115
 <u>(DEFICIT) OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS</u>	 \$ 11,354	 \$ (376,056)

See notes to the financial statements.

CITY OF NATCHITOCHEs  
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Statement of Changes in Benefit Obligations  
and Net Assets Available for Benefits  
For the Year Ended July 31, 2021

NET INCREASE IN BENEFIT OBLIGATIONS

Increase (decrease) during the year attributable to:	
Claims payable	\$ (24,233)
Claims incurred but not reported	<u>167,963</u>
 NET (DECREASE) IN BENEFIT OBLIGATIONS	 <u>143,730</u>

NET INCREASE IN NET ASSETS AVAILABLE

FOR BENEFITS

Additions to plan assets attributable to:	
Sponsor contributions	2,721,381
Participants contributions	411,285
Retiree contributions	38,366
Insurance company reimbursements	451,263
Miscellaneous income	<u>424</u>
 TOTAL ADDITIONS	 <u>3,622,719</u>

Deductions from plan assets attributable to:	
Benefits paid to participants	2,296,100
Payments for insurance premiums	689,599
Administrative expenses	<u>105,880</u>

TOTAL DEDUCTIONS 3,091,579

NET (DECREASE) IN NET ASSETS  
AVAILABLE FOR BENEFITS 531,140

(DECREASE) IN EXCESS OF NET ASSETS AVAILABLE  
FOR BENEFITS OVER BENEFIT OBLIGATIONS 387,410

(DEFICIT) OF NET ASSETS AVAILABLE FOR BENEFITS  
OVER BENEFIT OBLIGATIONS

BEGINNING OF YEAR (376,056)

END OF YEAR \$ 11,354

See notes to the financial statements.

CITY OF NATCHITOCHEs  
EMPLOYEE BENEFIT PLAN  
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Notes to Financial Statements  
July 31, 2021

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**Note 1 - Description of the Plan**

The City of Natchitoches Employee Benefit Plan provides medical and prescription drug benefits covering substantially all employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The plan provides benefits (medical, hospital, surgical, major medical and prescription drugs) that cover permanent, full-time employees and retired employees (and their covered dependents) of the city that choose to participate following the employee waiting period. The employee waiting period for all new employees is the first of the month following the first 60 days of full-time employment. The plan also provides continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) for qualified beneficiaries who would otherwise have lost coverage under the plan. Retired employees may elect to continue coverage within certain guidelines established under the Plan.

The plan provides benefits through a funding arrangement which is funded by the plan sponsor and/or the participating employees, and with insurance to protect the plan against unpredictable excess claims. Under the plan agreement, the city contributes in cash to the plan in a manner and at such time determined by a committee, which is a plan fiduciary. Employees and retirees contribute to the plan in order to participate. The contribution is based on the coverage elected by the participants (i.e. single, family, etc.) and their participant class. Former members covered under COBRA make contributions to the plan for continuation of health coverage.

Medical benefits are provided on a partially self-insured basis. The plan has purchased insurance contracts to protect the plan against excessive or unpredictable claims. The insurance contracts include specific loss provisions that cover claims in excess of \$170,000 for each individual covered under the medical plan. The insurance contracts also include aggregate loss provisions that cover the combined claims for all participants of the plan when the qualified claims for the plan year exceed a stated amount. The stated amount under the aggregate loss provisions was approximately \$3,221,163 at July 31, 2021.

Although it has not expressed the intent to do so, the city has the right to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA. Funds contributed to the plan are irrevocably restricted for the use and provision of benefits to company employees.

The foregoing description of the plan provides only general information. Employees should refer to the Summary Plan Description & Plan Document for a more complete description of the plan's provisions.

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Notes to Financial Statements (Continued)  
July 31, 2021

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**Note 2 - Summary of Significant Accounting Policies**

*Basis of Accounting* - The financial statements of the plan are prepared on the accrual basis of accounting.

*Use of Estimates* - The preparation of financial statements in conformity with the modified basis of cash basis of accounting requires the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash* – Cash in the Plan consists of cash held in a noninterest-bearing bank account. Checks issued in excess of available balances are included in accounts payable and accrued liabilities. Claims of the Plan are handled by its third-party administrator, IMA. IMA pays all of the claims through an account held on behalf of the Plan.

*Benefit obligations* – Benefit claims currently payable include the Plan’s liability for claims incurred and processed before July 31, 2021. The Plan’s liability for claims incurred but not reported (IBNR) included claims incurred before July 31, 2021 but processed after July 31, 2021. Additional IBNR is estimated based on prior claims experience and the expected time period from the date claims are incurred to the date that the related claims are submitted and paid.

The authoritative guide for postretirement benefit obligations is Governmental Accounting Standards Board (GASB) Statement 74, *Financial Reporting for Postretirement Benefit Plans Other Than Pensions*. Based upon GASB Statement 74, the Plan’s postretirement benefit obligations are recorded on the City’s financial statements and not the Plan’s.

*Payments of Benefits* - Premiums paid by the company sponsors are recorded as premium payments in the accompanying statement of changes in benefit obligations and net assets available for benefits. Claim payments are recorded when paid by the third-party claims processor. Amounts due to claims processors that have not been reimbursed by the Plan are recorded as payable to claims administrators in the accompanying statements benefit obligations and of net assets available for benefits. These payments are recorded as claims paid in the accompanying statement of changes in net assets available for benefits.

*Stop Loss* – Premiums for stop loss insurance are included in premium payments in the accompanying statement of changes in benefit obligations and net assets available for benefits. Stop loss refunds totaling \$61,754 have been netted with claims paid in the accompanying statement of changes in benefit obligations and net assets available for benefits.

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Notes to Financial Statements (Continued)  
July 31, 2021

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**Note 2 - Summary of Significant Accounting Policies (continued)**

*Refunds* – Refunds due from the Plan are recorded when earned. Refunds due as of the financial statement date have been reported as a receivable, with offset being netted against claims paid. Pharmacy rebates totaling \$61,754 have been netted with claims paid in the accompanying statements of changes in benefit obligations and net assets available for benefits for the year ended July 31, 2021.

*Date of Management's Review* – Management has evaluated subsequent events through February 25, 2022, which is the date the financial statements were available to be issued.

**Note 3 - Tax Status**

The Plan and trust is not pursuing tax exempt status. However, taxable income to the trust is defined in such a way that yields no tax liability for the current year. Accordingly, no tax liability or expense is reflected in the financial statements. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Plan may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended July 31, 2021.

**Note 4 - Plan Amendments**

Effective July 1, 2020 changes to Eligibility Requirements for Coverage were changed. A person is eligible for Employee coverage from the first day he or she is a full-time employee of the employer or is a non-seasonal part-time employee of the employer. A person is eligible for Retired Employee coverage from the first day he or she is a retired employee of the employer. Retirees are covered till the age they are eligible for Medicare. A spouse or dependent may be covered as long as retiree is covered.

Effective August 1, 2020, the plan document is changed as follows: Medical benefit schedule A and B remove lifecare hospital statements.

Effective August 1, 2020, the plan document is changed as follows: Medical benefits schedule A and B change adult sleep disorders lifetime supply limit to apply to diagnosis only. Increase the lifetime maximum for diagnosis of Adult sleep disorders.



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Notes to Financial Statements (Continued)  
July 31, 2021

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**Note 5 - Subsequent Events**

The plan evaluated its July 31, 2021 financial statements for subsequent events through February 25, 2022, the date of which the financial statements were available to be issued.

**Note 6 - Fidelity Bonding Requirement**

ERISA requires every fiduciary of an employee benefit plan and every person who handles funds of the plan to maintain fidelity bond coverage equal to 10% of the amount of plan assets. The trustee (fiduciary) does maintain such a bond.

**Note 7 - Fair Value Measurements**

The framework for measuring fair values 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement* are described as follows:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the trust has the ability to access.
- Level 2 inputs to the valuation methodology include the following:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from, or corroborated by, observable market data by correlation or other meansIf the asset or liability has a specified (contractual) term, the level 2 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 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 minimize the use of unobservable inputs.

The fair value of financial instruments, including cash, approximate the carrying value, principally because of the short maturity of those items and are considered Level 1 or Level 2.

CITY OF NATCHITOCHES  
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Notes to Financial Statements (Continued)  
July 31, 2021

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***Note 8 - Cash***

At July 31, 2021, the plan had \$95,238 on deposit with a financial institution. 100% of this amount was insured by the Federal Deposit Insurance Corporation.

***Note 9 - Risks and Uncertainties***

The coronavirus pandemic was declared a national emergency in March of 2021. The impact of the pandemic could have a detrimental impact on the plan sponsor's operations which could have a negative result for the Plan's funding. The impact as of the date of these financial statements and the date of the audit report has yet to be determined.

***Note 10 - Related Party Transactions***

The plan paid IMA, Inc., its third-party administrator, administrative fees of \$72,372 and \$69,103 for the years ended July 31, 2021 and 2020, respectively. The plan also receives certain administrative services and office usage at no charge from the City of Natchitoches. These transactions qualify as party-in-interest transactions. However, these party-in-interest transactions are exempt from the prohibited transaction rules of ERISA.

City of Natchitoches Employee Benefit Plan  
 Schedule of Compensation, Benefits, and Other Payments to Agency Head  
 For the Year Ended July 31, 2021

Trustee: Jill Raynes - Controller

Purpose	Amount
Salary	\$ -
Benefits - insurance	\$ -
Benefits - retirement	\$ -
Deferred compensation (contributions made by the agency)	\$ -
Benefits - other (pair of shoes)	\$ -
Benefits - other (fuel district vehicle)	\$ -
Car allowance	\$ -
Vehicle provided by government	\$ -
Cell phone	\$ -
Dues	\$ -
Vehicle rental	\$ -
Per diem	\$ -
Reimbursements	\$ -
Travel	\$ -
Registration fees	\$ -
Conference travel	\$ -
Housing	\$ -
Unvouchered expenses	\$ -
Special meals	\$ -
Other	\$ -

The City of Natchitoches Employee Benefit Plan does not pay the Trustee's compensation.



**Broussard & Company**  
Certified Public Accountants

**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 GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
City of Natchitoches Employee Benefit Plan  
Natchitoches, Louisiana

We have audited, in accordance with the 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 the City of Natchitoches Employee Benefit Plan (the Plan), as of and for the year ended July 31, 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated February 25, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 statements 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.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from 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*.

**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.

*Broussard and Company*

Lake Charles, Louisiana  
February 25, 2022

**CITY OF NATCHITOCHEs EMPLOYEE BENEFIT PLAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JULY 31, 2021**

**A. SUMMARY OF AUDITOR’S RESULTS**

Financial Statements:

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ yes      X   no
- Significant deficiencies identified that are not material weaknesses \_\_\_\_\_ yes      X   no
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no