

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

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**Financial Statements  
July 31, 2013**

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 APR 02 2014



**Broussard & Company**  
Certified Public Accountants

EIN 72-6000931

## 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, 2013 and the related statement of changes in net assets available for benefits and of changes in benefit obligations for the year ended July, 2013, 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, 2013 and the changes in its financial status for the year ended July 31, 2013, 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 7, 2014, 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.



February 7, 2014  
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,

	<u>2013</u>
<b><u>BENEFIT OBLIGATIONS</u></b>	
Claims payable	\$ 102,167
Claims incurred but not reported	196,457
Total obligations other than postretirement benefit obligations	<u>298,624</u>
 <b><u>NET ASSETS</u></b>	
<b>ASSETS</b>	
Cash - interest bearing	94,590
Insurance company reimbursements receivable, net of allowance of \$127,615	3,347
Refunds receivable	5,705
TOTAL ASSETS	<u>103,642</u>
 <b>LIABILITIES</b>	
Cash overdraft	<u>-</u>
TOTAL ASSETS	<u>-</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>103,642</u>
 <b><u>(DEFICIT) OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS</u></b>	
	\$ <u>(194,982)</u>

See Notes to Financial Statements

CITY OF NATCHITOCHEs  
EMPLOYEE BENEFIT PLAN  
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Statement of Changes in Benefit Obligations  
and Net Assets Available for Benefits  
For the Year Ended July 31, 2013

<b><u>NET INCREASE IN BENEFIT OBLIGATIONS</u></b>	
Increase (decrease) during the year attributable to:	
Claims payable	\$ (102,167)
Claims incurred but not reported	(196,457)
	(298,624)
<b>NET (DECREASE) IN BENEFIT OBLIGATIONS</b>	
<b><u>NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS</u></b>	
Additions to plan assets attributable to:	
Sponsor contributions	1,685,962
Participants contributions	426,881
Retiree contributions	125,912
COBRA contributions	9,959
Insurance compnay reimbursements	105,488
Interest income	2,220
	2,356,422
<b>TOTAL ADDITIONS</b>	
Deductions from plan assets attributable to:	
Benefits paid to participants	1,785,618
Payments for insurance premiums	328,912
Administrative expenses	138,250
	2,252,780
<b>TOTAL DEDUCTIONS</b>	
<b>NET (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS</b>	
	103,642
<b><u>(DECREASE) IN EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS</u></b>	
	(194,982)
<b><u>(DEFICIT) OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS</u></b>	
BEGINNING OF YEAR	
	-
END OF YEAR	
	\$ (194,982)

See Notes to Financial Statements

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

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Notes to Financial Statements  
July 31, 2013

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**Note 1 - Description of the Plan**

The City of Natchitoches Employee Benefit Plan provides medical, dental, vision, life and accidental death 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, dental, vision, life) 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 31 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 that includes a trust, 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 \$125,000 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 \$3,144,342 at July 31, 2013.

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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EMPLOYEE BENEFIT PLAN  
EIN 72-6000931  
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Notes to Financial Statements (Continued)  
July 31, 2013

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

When applicable, quoted market prices are used to value investments. Certificates of Deposit are valued based on original cost plus accrual interest. Certificates of Deposit with a maturity of three months or less are treated as cash.

The obligation for claims incurred before the financial statement date, but not reported to the plan as of the end of year, is estimated on an overall basis based on prior loss experience and review of claims paid subsequent to the plan year. The obligation is determined based on the present value of the ultimate cost to settle the claims.

The authoritative guide for postretirement benefit obligations is Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. Based upon GASB Statement 45, the Plan's postretirement benefit obligations are recorded on the City's financial statements and not the Plan's.

**Note 3 - 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 not maintain such a bond.

**Note 4 - Tax Status**

The plan and trust is no longer 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.

**Note 5 - Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Note 6 - Fair Value Measurements**

The fair value of financial instruments classified as assets or liabilities, including cash, insurance contributions receivable, refunds receivable, and benefit obligations approximate carrying value, principally because of the short maturity of those items.

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EMPLOYEE BENEFIT PLAN  
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Notes to Financial Statements (Continued)  
July 31, 2013

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*Note 7 - Subsequent Events*

The Plan evaluated its July 31, 2013 financial statements for subsequent events through February 7, 2014, the date of which the financial statements were available to be issued. The Plan is not aware of any subsequent events which would require recognition or disclosure in the financial statements.





**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, Charles, 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, 2013, 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 7, 2014.

**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 7, 2014

**CITY OF NATCHITOCHEs EMPLOYEE BENEFIT PLAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JULY 31, 2013**

**A. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- |                                                                        |           |                         |
|------------------------------------------------------------------------|-----------|-------------------------|
| • Material weakness identified?                                        | _____ yes | _____ <u>X</u> _____ no |
| • Significant deficiencies identified that are not material weaknesses | _____ yes | _____ <u>X</u> _____ no |
| • Noncompliance material to financial statements noted?                | _____ yes | _____ <u>X</u> _____ no |