

Arkansas Fire and Police Pension Review Board

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017



Arkansas Fire and Police Pension Review Board
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Independent Auditor's Report

Board Members
Arkansas Fire and Police Pension Review Board
Little Rock, Arkansas

We have audited the accompanying financial statements of the Arkansas Fire and Police Pension Review Board, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Arkansas Fire and Police Pension Review Board's financial statements as listed in the table of contents.

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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. 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 position of the Arkansas Fire and Police Pension Review Board as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Little Rock, Arkansas
April 11, 2019

Arkansas Fire and Police Pension Review Board

Management's Discussion and Analysis

December 31, 2018 and 2017

The management discussion and analysis (MD&A) of the Arkansas Fire and Police Pension Review Board (hereafter referred to as the PRB) provides an overview of the financial activities for the years ended December 31, 2018 and 2017. For more detailed information regarding PRB financial activities, the reader should review the actual financial statements, including all notes.

The executive director and staff of Arkansas Local Police and Fire Retirement System (LOPFI) serve as executive director and staff for the PRB. LOPFI receives all revenue and pays all expenses for the PRB. The allocation of expenses is determined by each respective board through the use of an Administrative Services Committee composed of members of both boards.

The basic financial statements consist of:

The *Balance Sheet* is a comparison of the assets received for the PRB from LOPFI for the current and previous year. The *Balance Sheet* reflects any liabilities and the total net position of the PRB.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the PRB's operating revenues, operating expenses and net position at the end of the calendar year. The PRB is entitled to receive up to one percent (1%) of the total premium tax revenues for its administrative and premium tax allocation expenses. The net position, beginning of year, reflects the net position reported on the prior year's balance sheet as of the end of that fiscal year.

The *Statement of Cash Flows* shows there is no cash generated by operating activities. The revenues and expenses attributable to the PRB are allocated to the PRB account on the LOPFI books. Due to this arrangement, the major asset of the PRB is a receivable from LOPFI.

The *Notes to the Financial Statements* are an integral part of the PRB's financial statements and can be found on page 9.

Arkansas Fire and Police Pension Review Board
Management's Discussion and Analysis
December 31, 2018 and 2017

Summary Balance Sheets

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018 Percent Change</u>	<u>2017 Percent Change</u>
Receivable from Arkansas Local Police and Fire Retirement System (LOPFI)	\$ 557,443	\$ 448,969	\$ 349,513	24.16%	28.46%
Total assets	<u>\$ 557,443</u>	<u>\$ 448,969</u>	<u>\$ 349,513</u>	<u>24.16%</u>	<u>28.46%</u>
Net position	\$ 557,443	\$ 448,969	\$ 349,513	24.16%	28.46%
Total net position	<u>\$ 557,443</u>	<u>\$ 448,969</u>	<u>\$ 349,513</u>	<u>24.16%</u>	<u>28.46%</u>

December 31, 2018

LOPFI receives all revenue and pays all expenses for the PRB. This resulted in the receivable from LOPFI increasing by \$108,474 in 2018.

December 31, 2017

LOPFI receives all revenue and pays all expenses for the PRB. This resulted in the receivable from LOPFI increasing by \$99,456 in 2017.

Arkansas Fire and Police Pension Review Board
Management's Discussion and Analysis
December 31, 2018 and 2017

Summary Statement of Revenues, Expenses and Changes in Net Position

	2018	2017	2016	2018 Percentage Change	2017 Percentage Change
State Insurance Commission tax tumbback – PRB operations	\$ 528,000	\$ 535,000	\$ 570,000	-1.31%	-6.14%
State Insurance Commission tax tumbback – special report	-	24,000	12,000	-100.00%	100.00%
State Insurance Commission tax tumbback – UALR mapping project	151,488	151,488	151,488	0.00%	0.00%
State Insurance Commission tax tumbback – allocation report	50,000	42,000	42,000	19.05%	0.00%
Operating revenue	729,488	752,488	775,488	-3.06%	-2.97%
UALR mapping program	151,488	151,488	151,488	0.00%	0.00%
Salaries	252,878	253,321	235,598	-0.17%	7.52%
Actuarial expense	121,350	147,900	140,300	-17.95%	5.42%
Office supplies	10,411	13,678	27,806	-23.89%	-50.81%
Office equipment maintenance	26,564	27,718	35,400	-4.16%	-21.70%
Other expenses	58,323	58,927	54,732	-1.02%	7.66%
Operating expenses	621,014	653,032	645,324	-4.90%	1.19%
Change in net position	\$ 108,474	\$ 99,456	\$ 130,164	9.07%	-23.59%

December 31, 2018

The PRB is entitled to receive a portion of insurance premium tax monies for administrative expenses as defined in ACA 24-11-203. Based on the 2018 budget, the PRB requested and received \$528,000 for PRB operations and \$50,000 for the premium tax allocation report during 2018. There were no Special Reports scheduled for 2018, therefore, there was not an allocation request in 2018.

December 31, 2017

The PRB is entitled to receive a portion of insurance premium tax monies for administrative expenses as defined in ACA 24-11-203. Based on the 2017 budget, the PRB requested and received \$535,000 for PRB operations during 2017. In addition, PRB requested \$24,000 for Special Reports. The other insurance premium tax monies received were consistent with 2016.

Arkansas Fire and Police Pension Review Board
Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Receivable from Arkansas Local Police and Fire Retirement System (LOPFI)	\$ 557,443	\$ 448,969
Total current assets	557,443	448,969
Total assets	\$ 557,443	\$ 448,969
Net Position		
Net position	\$ 557,443	\$ 448,969
Total net position	\$ 557,443	\$ 448,969

Arkansas Fire and Police Pension Review Board
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
State Insurance Commission tax turnback – PRB operations	\$ 528,000	\$ 535,000
State Insurance Commission tax turnback – special report	-	24,000
State Insurance Commission tax turnback – UALR mapping project	151,488	151,488
State Insurance Commission tax turnback – allocation report	50,000	42,000
	<u>729,488</u>	<u>752,488</u>
Operating Expenses		
UALR mapping program	151,488	151,488
Salaries	252,878	253,321
Office supplies	10,411	13,678
Office equipment maintenance	26,564	27,718
Postage	3,312	3,064
Telephone	17,507	17,204
Publications	574	1,199
Printing	96	-
Travel/professional/education/conference	24,016	25,401
Board supplies	2,281	1,922
Actuarial expense	121,350	147,900
Insurance	2,137	2,137
Audit fee	8,400	8,000
	<u>621,014</u>	<u>653,032</u>
Change in Net Position	108,474	99,456
Net Position, Beginning of Year	<u>448,969</u>	<u>349,513</u>
Net Position, End of Year	<u>\$ 557,443</u>	<u>\$ 448,969</u>

Arkansas Fire and Police Pension Review Board
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Cash flows from operating activities	\$ -	\$ -
Noncapital Financing Activities		
Cash flows from investing activities	-	-
Capital and Related Financing Activities		
Cash flows from financing activities	-	-
Investing Activities		
Cash flows from investing activities	-	-
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -
 Reconciliation of Change in Net Position to Net Cash Provided by		
Operating Activities		
Change in net position	\$ 108,474	\$ 99,456
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Changes in		
Receivable from LOPFI	(108,474)	(99,456)
Net cash provided by operating activities	\$ -	\$ -

Arkansas Fire and Police Pension Review Board
Notes to Financial Statements
December 31, 2018 and 2017

Note 1: Reporting Entity and Summary of Significant Accounting Policies

The Arkansas Fire and Police Pension Review Board (the PRB) was created by the State of Arkansas to establish a state pension review board for all municipal fire and police pension funds established under Act 1921, No.491 and Act 1937, No. 250, which shall oversee all requests for benefit increases and review the annual accountant's reports and biennial actuarial valuations required by the enacting legislation.

Basis of Accounting

The accounting policies of the PRB have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The PRB is accounted for on an economic resources measurement focus using the accrual basis of accounting.

Subsequent Events

Subsequent events have been evaluated through April 11, 2019, which is the date the financial statements were available to be issued.

Note 2: Related Party Transactions

The executive director and staff of Arkansas Local Police and Fire Retirement System (LOPFI) serve as executive director and staff for the PRB; LOPFI receives all revenue and pays all expenses for the PRB. The portion of revenues and expenses attributable to the PRB is allocated to the PRB account on the LOPFI books; due to this arrangement, the major asset of the PRB is a receivable from LOPFI, which amounted to \$557,443 and \$448,969 at December 31, 2018 and 2017, respectively. The allocation of expenses is determined by each respective board through the use of an administrative committee composed of members of both boards.

Note 3: Commitments and Contingencies

Geographic Information Systems Mapping Project

The PRB has entered into a contract with the University of Arkansas at Little Rock to provide demographic and mapping data through its Geographic Information Systems Applications Laboratory to ensure compliance with Acts 1570 and 1288 of the 82nd General Assembly of the State of Arkansas. The acts require the drawing of new fire district boundaries following physical features of the land. Per the 2000 Census data, a population assessment for each district has been tabulated for the purpose of allocating State Insurance Department Turnback Funds. The Arkansas Insurance Department has awarded the PRB \$201,488 and \$193,488 and for the years ended December 31, 2018 and 2017, respectively, for funding of the project, including \$50,000 and \$42,000, respectively, for additional actuarial expenses.