

CITY OF LAVACA, ARKANSAS

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020



CITY OF LAVACA, ARKANSAS
DECEMBER 31, 2020

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Independent Auditors' Report

To the Honorable Mayor and City Council
City of Lavaca, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Lavaca, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic 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, where due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lavaca, Arkansas, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 budgetary comparison information and supplemental information for employer pension plans on pages 48 through 56 be presented to supplement the basic 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 supplemental 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of City of Lavaca, Arkansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Lavaca, Arkansas' 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 City of Lavaca, Arkansas' internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 19, 2021

BASIC FINANCIAL STATEMENTS

CITY OF LAVACA, ARKANSAS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2020			
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows			
Current Assets			
Cash and cash equivalents	\$ 1,023,233	\$ 596,750	\$ 1,619,983
Certificates of deposit	492,933	430,253	923,186
Restricted checking and savings accounts	-	110,643	110,643
Restricted certificates of deposit	-	135,000	135,000
Accounts receivable	79,324	84,456	163,780
Prepaid expenses	1,394	934	2,328
Total Current Assets	1,596,884	1,358,036	2,954,920
Capital Assets, Net	3,566,670	2,748,770	6,315,440
Total Assets	5,163,554	4,106,806	9,270,360
Deferred Outflows			
Deferred amount on refunding of debt, net of amortization	-	13,580	13,580
Deferred amounts related to pensions	127,184	35,432	162,616
Total Deferred Outflows	127,184	49,012	176,196
Total Assets and Deferred Outflows	\$ 5,290,738	\$ 4,155,818	\$ 9,446,556
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities			
Accounts payable	3,513	26,922	30,435
Accrued interest	446	3,653	4,099
Meter deposits	-	49,420	49,420
Current maturity of long-term debt	28,984	73,444	102,428
Total Current Liabilities	32,943	153,439	186,382
Non-current Liabilities			
Long-term debt, net of unamortized bond discounts	173,209	401,186	574,395
Net pension liability	473,854	122,662	596,516
Total Non-current Liabilities	647,063	523,848	1,170,911
Total Liabilities	680,006	677,287	1,357,293
Deferred Inflows			
Deferred amounts related to pensions	89,090	7,780	96,870
Total Deferred Inflows	89,090	7,780	96,870
Net Position			
Net investment in capital assets	3,364,477	2,332,472	5,696,949
Restricted	-	182,967	182,967
Unrestricted	1,157,165	955,312	2,112,477
Total Net Position	4,521,642	3,470,751	7,992,393
Liabilities, Deferred Inflows, and Net Position	\$ 5,290,738	\$ 4,155,818	\$ 9,446,556

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue And Change In Net Assets		Total
	Expenses	Charges For Services	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
Administration	\$ 277,329	\$ 12,885	\$ 38,392	\$ (226,052)	\$ -	(226,052)
Police	307,465	-	98,875	(208,590)	-	(208,590)
Fire	68,399	-	15,000	(53,399)	-	(53,399)
Streets	254,809	-	-	(254,809)	-	(254,809)
Criminal justice	270	2,301	-	2,031	-	2,031
Interest on long-term debt	7,562	-	-	(7,562)	-	(7,562)
Total Governmental Activities	915,834	15,186	152,267	(748,381)	-	(748,381)
Business-Type Activities						
Water and Sewer	723,927	726,687	-	-	2,760	2,760
Sanitation	129,735	140,917	5,080	-	16,262	16,262
Total Business-Type Activities	853,662	867,604	5,080	-	19,022	19,022
Total	\$ 1,769,496	\$ 882,790	\$ 157,347			

General Revenues:

Property and real estate taxes	124,643	-	124,643
State turnbacks	229,641	-	229,641
Franchise tax	91,043	-	91,043
Sales and use taxes	382,727	101,738	484,465
County road	76,620	-	76,620
Volunteer fire tax	21,639	-	21,639
Fire Act 833	12,519	-	12,519
Insurance proceeds	43,087	-	43,087
Interest income	4,915	6,103	11,018
Gain (loss) on asset disposal	3,900	-	3,900
Other	6,450	41,230	47,680
Special Items			
FSPWA debt service and fixed costs	-	(44,315)	(44,315)
Transfers	255	(255)	-
Total General Revenues and Transfers	997,439	104,501	1,101,940
Change In Net Position	249,058	123,523	372,581
Net Position, Beginning of Year	4,272,584	3,347,228	7,619,812
Net Position, End of Year	\$ 4,521,642	\$ 3,470,751	\$ 7,992,393

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2020

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 522,603	\$ 378,954	\$ 121,676	\$ 1,023,233
Certificates of deposit	92,933	400,000	-	492,933
Accounts receivable	48,353	30,779	192	79,324
Prepaid expenses	1,242	152	-	1,394
Total Assets	\$ 665,131	\$ 809,885	\$ 121,868	\$ 1,596,884
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,037	\$ 2,476	\$ -	\$ 3,513
Total Liabilities	1,037	2,476	-	3,513
Fund Balances				
Nonspendable	1,242	152	-	1,394
Spendable:				
Restricted	-	-	6,399	6,399
Committed	-	-	99,237	99,237
Assigned	313,685	807,257	16,232	1,137,174
Unassigned	349,167	-	-	349,167
Total Fund Balances	664,094	807,409	121,868	1,593,371
Total Liabilities and Fund Balances	\$ 665,131	\$ 809,885	\$ 121,868	\$ 1,596,884

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

AS OF DECEMBER 31, 2020

Total Fund Balances - Governmental Funds \$ 1,593,371

Amounts reported for governmental *activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$5,782,058 and the accumulated depreciation is \$2,215,388. 3,566,670

Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. 127,184

Net pension liability is not due and payable in the current period and is not reported as a liability in the funds. (473,854)

Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. (89,090)

Long-term debt plus accrued interest are not due and payable in the current period, and therefore are not reported as a liability in the funds. All liabilities, both due in one year and due in more than one year, are reported in the statement of net position. (202,639)

Total Net Position - Governmental Activities \$ 4,521,642

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Street	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and real estate taxes	\$ 124,643	\$ -	\$ -	\$ 124,643
State turnbacks	57,330	172,311	-	229,641
Franchise tax	91,043	-	-	91,043
Sales and use taxes	367,800	14,927	-	382,727
Grants	145,617	-	-	145,617
County road	-	76,620	-	76,620
Volunteer fire tax	-	-	21,639	21,639
Fire Act 833	-	-	12,519	12,519
Licenses and permits	1,510	-	-	1,510
Court fines	11,375	-	2,301	13,676
Interest	1,440	3,419	56	4,915
Donations	6,650	-	-	6,650
Other income	6,450	-	-	6,450
Total Revenues	813,858	267,277	36,515	1,117,650
Expenditures				
Administration	206,983	-	-	206,983
Police	252,619	-	-	252,619
Fire	38,774	-	6,903	45,677
Streets	-	161,062	-	161,062
Criminal justice	-	-	270	270
Debt service:				
Interest	7,623	-	-	7,623
Principal	27,976	-	-	27,976
Capital outlays	269,200	190,394	7,139	466,733
Total Expenditures	803,175	351,456	14,312	1,168,943
Excess of Revenues Over (Under) Expenditures	10,683	(84,179)	22,203	(51,293)
Other Financing Sources				
Proceeds from sale of assets	3,900	-	-	3,900
Insurance recoveries	43,087	-	-	43,087
Operating transfers in / (out)	46,789	216	(46,750)	255
Total Other Financing Sources	93,776	216	(46,750)	47,242
Change in Fund Balance	104,459	(83,963)	(24,547)	(4,051)
Fund Balance at Beginning of Year	559,635	891,372	146,415	1,597,422
Fund Balance at End of Year	\$ 664,094	\$ 807,409	\$ 121,868	\$ 1,593,371

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Total Net Change in Fund Balances - Governmental Funds \$ (4,051)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$466,733 exceeds depreciation of \$202,786 during the year. 263,947

Governmental funds report agency pension contributions as expenditures. Some items reported in the Statement of Activities represent a change in net position that applies to future periods and includes the difference between expected and actual experience, changes in assumptions, expected earnings on plan investment, and employer contributions that are not recognized as an outflow or inflow until a future period and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

City pension contributions	26,947	
Cost of benefits earned net of employee contributions	(65,822)	(38,875)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 27,976

In the statement of activities, total interest expense is adjusted for the change between current year and prior year accrued interest which is shown on the statement of net assets. The current year adjustment is a decrease to interest expense. 61

Change in Net Position of Governmental Activities \$ 249,058

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

AS OF DECEMBER 31, 2020

Assets and Deferred Outflows	Enterprise Funds		Total
	Water & Sewer Fund	Sanitation Fund	
Current Assets			
Cash and cash equivalents	\$ 596,720	\$ 30	\$ 596,750
Certificates of deposit	430,253	-	430,253
Restricted checking and savings accounts	110,643	-	110,643
Restricted certificates of deposit	135,000	-	135,000
Accounts receivable	73,270	11,186	84,456
Prepaid expenses	934	-	934
Total Current Assets	1,346,820	11,216	1,358,036
Capital Assets, Net	2,724,978	23,792	2,748,770
Total Assets	4,071,798	35,008	4,106,806
Deferred Outflows			
Deferred amount on refunding of debt, net of amortization	13,580	-	13,580
Deferred amounts related to pensions	35,432	-	35,432
Total Deferred Outflows	49,012	-	49,012
Total Assets and Deferred Outflows	\$ 4,120,810	\$ 35,008	\$ 4,155,818
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities			
Accounts payable	26,371	551	26,922
Accrued interest	3,653	-	3,653
Meter deposits	49,420	-	49,420
Current maturity of long-term debt	73,444	-	73,444
Total Current Liabilities	152,888	551	153,439
Non-Current Liabilities			
Long-term debt, net of unamortized bond discounts	401,186	-	401,186
Net pension liability	122,662	-	122,662
Total Non-Current Liabilities	523,848	-	523,848
Total Liabilities	676,736	551	677,287
Deferred Inflows			
Deferred amounts related to pensions	7,780	-	7,780
Total Deferred Inflows	7,780	-	7,780
Net Position			
Net investment in capital assets	2,308,680	23,792	2,332,472
Restricted	182,967	-	182,967
Unrestricted	944,647	10,665	955,312
Total Net Position	3,436,294	34,457	3,470,751
Liabilities, Deferred Inflows, and Net Position	\$ 4,120,810	\$ 35,008	\$ 4,155,818

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		Total
	Water & Sewer Fund	Sanitation Fund	
Operating Revenues			
Water sales	\$ 596,604	\$ -	\$ 596,604
Sewer fees	113,113	-	113,113
Tap fees and service charges	16,970	-	16,970
Sanitation fees	-	132,365	132,365
Sales and use taxes	101,738	-	101,738
ABC center	-	8,552	8,552
Other revenue	41,230	-	41,230
Total Operating Revenues	869,655	140,917	1,010,572
Operating Expenses			
Water purchases	232,116	-	232,116
Contract hauler	-	122,969	122,969
Salaries	119,255	3,300	122,555
Payroll taxes	8,727	242	8,969
Employee benefits	35,803	-	35,803
Professional fees	5,750	-	5,750
Operating supplies	39,013	-	39,013
Recycling center expenses	-	1,293	1,293
Vehicle expense	10,107	-	10,107
Repairs and maintenance	36,987	-	36,987
Miscellaneous	63	-	63
Administrative expense	10,698	-	10,698
Utilities	28,020	-	28,020
Dues and licenses	11,084	-	11,084
Insurance	4,301	-	4,301
Bank and trustee fees	1,951	-	1,951
Depreciation	159,623	1,931	161,554
Total Operating Expenses	703,498	129,735	833,233
Operating Income (Loss)	166,157	11,182	177,339
Other Revenues (Expenses)			
Interest income	5,760	343	6,103
Grant income	-	5,080	5,080
FSPWA debt service and fixed costs	(44,315)	-	(44,315)
Interest expense	(20,429)	-	(20,429)
Operating transfers	218,598	(218,853)	(255)
Total Other Revenues (Expenses)	159,614	(213,430)	(53,816)
Change In Net Position	325,771	(202,248)	123,523
Beginning of Year Net Position	3,110,523	236,705	3,347,228
End of Year Net Position	\$ 3,436,294	\$ 34,457	\$ 3,470,751

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Total
Cash Flows From Operating Activities			
Cash receipts from customers and other sources	\$ 764,579	\$ 140,450	\$ 905,029
Cash received from sales tax	101,237	-	101,237
Cash payments to suppliers for goods and services	(424,159)	(124,316)	(548,475)
Cash payments to employees for services	(119,255)	(3,300)	(122,555)
Net Cash Provided By Operating Activities	322,402	12,834	335,236
Cash Flows From Non-Capital and Related Financing Activities			
Transfers (to) / from other funds	218,598	(218,853)	(255)
Net Cash Provided (Used) From Non-Capital and Related Financing Activities	218,598	(218,853)	(255)
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(57,334)	-	(57,334)
Grant proceeds	-	5,080	5,080
Principal paid on debt	(73,334)	-	(73,334)
Interest paid on debt	(17,429)	-	(17,429)
FSPWA debt service and fixed costs	(44,315)	-	(44,315)
Net Cash Provided (Used) For Capital and Related Financing Activities	(192,412)	5,080	(187,332)
Cash Flows From Investing Activities			
Reinvestment of certificate of deposit earnings	(253)	-	(253)
Proceeds from (purchase of) certificate of deposit	(100,000)	100,000	-
Interest Income	5,760	343	6,103
Net Cash Provided (Used) By Investing Activities	(94,493)	100,343	5,850
Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash			
	254,095	(100,596)	153,499
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	453,268	100,626	553,894
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 707,363	\$ 30	\$ 707,393
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	\$ 596,720	\$ 30	\$ 596,750
Restricted checking and savings accounts	110,643	-	110,643
Total Cash, Cash Equivalents and Restricted Cash	\$ 707,363	\$ 30	\$ 707,393

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating income	\$	166,157	\$	11,182	\$	177,339
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation		159,623		1,931		161,554
(Increase)/decrease in:						
Accounts receivable		(7,844)		(467)		(8,311)
Prepaid expenses		(797)		-		(797)
Deferred amounts related to pensions		5,447		-		5,447
Increase/(decrease) in:						
Accounts payable		719		188		907
Meter deposits		4,005		-		4,005
Net pension liability		4,546		-		4,546
Deferred amounts related to pensions		(9,454)		-		(9,454)
Net Cash Provided By Operating Activities	\$	322,402	\$	12,834	\$	335,236

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

a. Reporting Entity

The City of Lavaca, Arkansas operates under an elected Mayor/Council form of government. The City's major operations include public safety, fire protection, recreation and parks, general administrative service, and water, sewer and sanitation service.

For financial reporting purposes, conformance with the governmental accounting standards board, the City includes all funds, account groups, departments, agencies, boards, commissions and other organizations over which the City exercises oversight responsibility. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

b. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

b. Basic Financial Statements (continued)

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental funds include the following fund types:

The general fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). Special revenue funds consist of the street fund, local police and fire retirement system fund, voluntary fire tax fund and the criminal justice fund.

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds for the City of Lavaca, Arkansas, consists of the water and sewer revenue and operation fund, bond fund, bond depreciation fund, meter deposit fund, and sanitation fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

d. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) delayed the following accounting pronouncements which ultimately became effective for the City's fiscal year ended December 31, 2020.

GASB Statement No. 83, *Certain Asset Requirement Obligations*. The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

d. New Accounting Pronouncements (continued)

GASB Statement No. 84, *Fiduciary Activities*. The purpose of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The purpose of this statement is to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

e. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash equivalents are defined as short term highly liquid investments that are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates. For the purposes of the Statement of Cash Flows, all highly liquid debt instruments with a maturity of three months or less when purchased to be cash including restricted cash.

Accounts Receivable

Accounts receivable in governmental funds and governmental activities include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Interest and investment earnings are recorded when earned, only if paid within sixty days, since they would be considered both measurable and available at the fund level. Management believes that all receivables are collectible, therefore no allowance for doubtful accounts is necessary at year-end,

Proprietary type funds and business-type activities account receivables consist of all revenues earned at year-end and not received. Proprietary fund receivables at year-end are for water and sewer sales, fees for miscellaneous services and sales and use taxes. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Interfund Receivables and payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	<u>LIFE</u>
Land	N/A
Buildings	7 - 40 Years
Municipal complex and parks	30 Years
Park equipment and pavilion	5 - 20 Years
Water and sewer system	10 - 50 Years
Office furniture and equipment	5 - 7 Years
Equipment	5 - 10 Years
Vehicles	5 - 10 Years
ABC convenience center	7 - 15 Years
Streets and improvements	30 Years

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Capital assets (continued)

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The City also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognizes deferred inflows of resources related to pensions.

Compensated absences

It is the City's policy not to allow vacation benefits to accumulate from year to year, therefore, no provision has been made for accrual of vacation time. Unused sick pay does accumulate from year to year, however, the sick pay is nonvesting, thus is excluded from the general accrual requirements.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employee's Retirement System, the Local Police and Fire Retirement System, and the Firemen's Relief and Pension Fund (together, the Plans) and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Net Position and Fund Balances

Government-Wide Statements:

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Unrestricted net position represents net position that is not restricted because of constraints imposed by external parties or imposed by laws of other governments or related to the acquisition and construction of capital assets. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The City does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. City personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position amounts, restricted resources are considered spent before unrestricted.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Net Position and Fund Balances (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City. The City council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated authority.

Unassigned - all other spendable amounts.

The City does not have a policy addressing whether it considers restricted, committed, or unassigned to have been spent when expenditures are incurred for purposes when restricted, committed and unassigned balances are available. City personnel decide which resources to use at the time the expenditures are incurred. For classification of fund balance amounts, committed amounts would be reduced first, followed by assigned amounts and then unassigned

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

Budgetary principles

The City is required to adopt an annual budget for the ensuing fiscal year. The General, special revenue, and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Budgetary principles (continued)

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results.

Budgeted revenue amounts represent the original budget modified by City Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting.

2. Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, a City's deposits may not be recovered. The City does not have a formal written deposit policy but follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2020, the City had no deposits that were uninsured or uncollateralized. Independent third parties held securities in the City's name as collateral. The bank balances and carrying amount of the City's deposits held were as follows:

As of December 31, 2020	Bank Balance	Carrying Amount
Insured	\$ 307,230	\$ 307,230
Collateralized - held by pledging bank or pledging bank's trust department in the City's name	2,358,698	2,481,266
Cash on hand		316
Total	\$ 2,665,928	\$ 2,788,812

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. Bank Deposits (continued)

Deposits as reported in the following statement of net position captions:

As Of December 31, 2020	
Cash and cash equivalents	\$ 1,619,983
Certificates of deposit	923,186
Restricted checking and savings accounts	110,643
Restricted certificates of deposit	135,000
Total	\$ 2,788,812

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The City's invests in certificates of deposits with maturities of three years or less.

3. Restricted Assets

The City has restricted accounts for the following:

Depreciation accounts - restricted for the purpose of reserving funds to make necessary repairs and improvements to the water system.

Meter Deposit Account - restricted for repayment of customer meter deposits.

Debt Service Reserves / Bond Fund - restricted for maintaining a debt service reserve and payment of principal and interest on bonds.

Restricted cash and cash equivalent accounts of the proprietary funds consists of the following:

As Of December 31, 2020	
Cash and cash equivalents:	
Water and Sewer Depreciation	\$ 39,390
2012 Debt Service Reserve	42,306
2012 Bond Fund	14,102
Meter Deposit	14,023
AFDA Bond Fund	822
Total Restricted Cash and Cash Equivalents	\$ 110,643
Certificate of Deposit	
Meter Deposit CD	\$ 45,000
Water and Sewer Depreciation CD	90,000
Total Restricted Certificates of Deposit	\$ 135,000

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. Accounts Receivable

Accounts receivable of governmental activities consists of the following:

As of December 31, 2020	General Fund	Street Fund	Other Govt. Funds	Total Govt. Funds
Taxes	\$ 43,520	\$ 15,330	\$ -	\$ 58,850
State turnback	4,463	15,449	-	19,912
Fines and assessments	370	-	192	562
Total	\$ 48,353	\$ 30,779	\$ 192	\$ 79,324

Accounts receivable of business-type activities consists of the following:

As of December 31, 2020	Water & Sewer Fund	Sanitation Funds	Total Proprietary Funds
User charges	\$ 64,343	\$ 11,186	\$ 75,529
Sales tax	8,927	-	8,927
Total	\$ 73,270	\$ 11,186	\$ 84,456

5. Property Tax

The City levies its property tax during the month of October, prior to the current fiscal year. The property tax is considered receivable on the first Monday in January of the current year and is recorded as revenue when received. The County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Taxes are delinquent after the first week in October.

The amount of property taxes the City may levy is subject to a statutory limitation by the State of Arkansas. The tax levy may not be increased except by amendment to the State Constitution.

The assessed value of the taxable property upon which property tax is levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies a statutory rate of 205 to arrive at assessed value.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Changes In Capital Assets

Capital asset activity for government activities for the year ended December 31, 2020, was as follows:

	January 1, 2020	Additions	Retirements	December 31, 2020
Capital assets, not being depreciated				
Land	\$ 70,472	\$ -	\$ -	\$ 70,472
Construction in progress	23,638	80,280	-	103,918
Total capital assets, not being depreciated	94,110	80,280	-	174,390
Capital assets, being depreciated				
Buildings	1,213,332	-	-	1,213,332
Municipal complex and parks	310,374	-	-	310,374
Park equipment and pavilion	329,536	-	-	329,536
Office furniture and equipment	48,183	-	-	48,183
Equipment	631,318	56,868	-	688,186
Vehicles	217,213	139,191	81,173	275,231
Streets and improvements	2,552,432	190,394	-	2,742,826
Total capital assets, being depreciated	5,302,388	386,453	81,173	5,607,668
Total capital assets	5,396,498	466,733	81,173	5,782,058
Less accumulated depreciation:				
Buildings	359,101	41,252	-	400,353
Municipal complex and parks	176,082	10,346	-	186,428
Park equipment and pavilion	179,839	19,992	-	199,831
Office furniture and equipment	45,957	581	-	46,538
Equipment	562,910	19,456	-	582,366
Vehicles	177,660	25,549	81,173	122,036
Streets and improvements	592,226	85,610	-	677,836
Total accumulated depreciation	2,093,775	202,786	81,173	2,215,388
Total capital assets, being depreciated, net	3,208,613	183,667	-	3,392,280
Governmental activities, capital assets, net	\$ 3,302,723	\$ 263,947	\$ -	\$ 3,566,670

In the governmental activities, construction in progress of \$103,918 at December 31, 2020 is for Shae Park improvements including accessible parking, hard surface walkways, a new bridge, pavilion, modern playground equipment, and the installation of picnic tables and trash bins. The total estimated cost of the project is \$250,000 of which \$125,000 will be funded by a matching grant from the Arkansas Department of Parks and Tourism. The City received \$38,392 of these matching funds during the year ended December 31, 2020. The project is scheduled for completion by the end of 2021.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Changes In Capital Assets (continued)

Depreciation expense for governmental activities is charged to functions as follows:

Administration	\$	61,785
Police		25,576
Fire		23,883
Streets		91,542
Total depreciation for governmental activities	\$	202,786

Capital asset activity for business-type activities for the year ended December 31, 2020, was as follows:

	January 1, 2020	Additions	Retirements	December 31, 2020
Capital assets, not being depreciated				
Land	\$ 12,886	\$ -	\$ -	\$ 12,886
Construction in progress	-	57,334	-	57,334
Total capital assets, not being depreciated	12,886	57,334	-	70,220
Capital assets, being depreciated				
Building	39,204	-	-	39,204
Municipal complex	70,808	-	-	70,808
Water and sewer system	4,592,541	-	-	4,592,541
Equipment	165,964	-	-	165,964
ABC convenience center	44,394	-	-	44,394
Total capital assets, being depreciated	4,912,911	-	-	4,912,911
Total capital assets	4,925,797	57,334	-	4,983,131
Less accumulated depreciation:				
Building	15,180	1,139	-	16,319
Municipal complex	42,878	2,360	-	45,238
Water and sewer system	1,887,663	137,439	-	2,025,102
Equipment	86,979	20,017	-	106,996
Vehicles	-	-	-	-
ABC convenience center	40,107	599	-	40,706
Total accumulated depreciation	2,072,807	161,554	-	2,234,361
Total capital assets, being depreciated, net	2,840,104	(161,554)	-	2,678,550
Total Business-type activities, capital assets, net	\$ 2,852,990	\$ (104,220)	\$ -	\$ 2,748,770

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Changes In Capital Assets (continued)

For business-type activities, construction in progress of \$57,334 at December 31, 2020 was for two projects. The Highway 96 Sewer project is to replace the existing sewer transmission line with a larger line. The City has incurred \$55,607 in engineering costs through December 31, 2020. The total estimated cost of the project is \$800,000 which the City anticipates funding with the issuance of new revenue bonds. The remaining \$1,727 of construction in progress is for the Berry Ridge manhole project to repair and/or replace existing manholes. The total estimated cost of the project is \$132,090 and it should be completed by the end of 2021.

Depreciation expense for business-type activities totaled \$161,554 and was entirely charged to the water and sanitation department.

7. Asset Retirement Obligation

The City adopted GASB Statement No. 83, Certain Asset Retirement Obligations, during the year. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under the new accounting standard, the City must recognize an ARO when the liability is both incurred and reasonably estimable. A liability incurred is based on the existence of external laws, regulations, contracts or court judgements and the occurrence of an internal event that obligates the City to perform asset retirement activities. The City owns and operates a lagoon system for wastewater treatment, and the existence of laws and regulations to decommission the lagoon falls within the scope of GASB 83.

The City's lagoon for wastewater treatment has been operating effectively since the 1980's and there are no existing plans to change the system. The City is not reporting an ARO on the Statement of Net Position because the City does not have an estimate of the cost to discontinue usage of the lagoon and the life expectancy of the lagoon is indeterminate. An ARO will be recorded if future events warrant a change.

8. Long-Term Debt

Governmental Activities - Long-term debt consists of:

First National Bank - loan dated August 15, 2017 for the construction of a new police station, in the amount of \$279,253. Monthly payments of interest only at 3.5% until February 15, 2018. Monthly payments of \$2,967 thereafter of principal and interest until final payment on May 15, 2027. The note is secured by the new police station which has a carrying value of \$437,054 at December 31, 2020.

	\$	202,193
Total		202,193
Less: current maturities		28,984
Long-term debt, net	\$	173,209

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2021	\$ 28,984	\$ 6,615	\$ 35,599
2022	30,015	5,584	35,599
2023	31,083	4,516	35,599
2024	32,188	3,411	35,599
2025	33,333	2,266	35,599
202-2027	46,590	1,170	47,760
Total	\$ 202,193	\$ 23,562	\$ 225,755

In the event of loan default, the bank has several remedies including that the outstanding principal and interest become immediately due and payable.

Long-term debt of the water-sewer department consists of the following:

Water and Sewer Revenue Bond Series 2010A, with the original issue amount of \$236,500. The bonds were revised in September 2013 totaling \$67,316. The bonds are payable in semi-annual installments including interest and service fees of 2.25% and 1%, respectively. The bonds are secured by revenues of the system with final maturity on October 15, 2031.

\$ 44,742

Water and Sewer Revenue Refunding Bonds Series 2012, dated June 1, 2012, in the amount of \$995,000. Principal payments are made in annual installments ranging from \$55,000 in 2012 to \$80,000 in 2026. Semi-annual interest payments are made with rates varying from 1.25% to 3.50%. The bonds are secured by revenues of the system with final maturity on November 1, 2026.

440,000

Total	484,742
Less: current maturities	73,444
Less: unamortized discount on 2012 Series bond	10,112
Long-term debt, net	\$ 401,186

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2021	\$ 73,444	\$ 16,039	\$ 89,483
2022	73,556	13,739	87,295
2023	73,673	11,434	85,107
2024	78,793	9,127	87,920
2025	78,918	6,377	85,295
2026-2030	101,600	5,550	107,150
2031	4,758	112	4,870
Total	\$ 484,742	\$ 62,378	\$ 547,120

If there is any default in the payment of principal or interest on any of the bonds, the Trustee may appoint a receiver to administer the water and sewer system on behalf of the City until all defaults have been cured.

Activity for long term debt and other non-current liabilities for the year ended December 31, 2020 was as follows:

	January 1, 2020	Additions	Reductions	December 31, 2020	Due Within One Year
Governmental activities:					
First National Bank	\$ 230,169	\$ -	\$ 27,976	\$ 202,193	\$ 28,984
Net pension liability	491,435	-	17,581	473,854	-
Total	\$ 721,604	\$ -	\$ 45,557	\$ 676,047	\$ 28,984
Business-type activities					
2010 Series Bonds	\$ 48,076	\$ -	\$ 3,334	\$ 44,742	\$ 3,444
2012 Series Refunding Bonds	510,000	-	70,000	440,000	70,000
Net pension liability	118,116	4,506	-	122,622	-
Total	\$ 676,192	\$ 4,506	\$ 73,334	\$ 607,364	\$ 73,444

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

9. Deferred Loss on Refunding / Bond Discount

The deferred loss on refunding incurred with the 2012 bond issuance results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance is \$13,580 on December 31, 2020, and is reflected on the statement of net position as deferred outflows. Amortization of the deferred loss totaled \$2,116 for the year ended December 31, 2020 and is included with interest expense on the statement of revenues, expenses and changes in net position.

Bond discounts are deferred and amortized over the term of the bond issue using the straight-line method. Bonds payable are reported net of the discount. Amortization of the discount totaled \$1,576 for the year ended December 31, 2020 and is included with interest expense on the statement of revenues, expenses, and changes in net position.

10. Fund Balances

The following is a summary of the Governmental Fund fund balances of the City at December 31, 2020:

General Fund

Nonspendable: Prepaid items	\$	1,242
Assigned:		
Public safety - Police		241,601
Public safety - Fire		72,084
<hr/>		
Total		313,685
<hr/>		
Unassigned		349,167
<hr/>		
Total General Fund fund balance		664,094

Street Fund

Nonspendable: Prepaid items		152
Assigned: Street repair and replacement		807,257
<hr/>		
Total Street Fund fund balance		807,409

Other Governmental Funds

Committed: Purchase of equipment, training costs, capital expenditures, equipment testing, etc.		99,237
Restricted:		
LOPFI payments for the volunteer fire and police department		6,399
Assigned: Payment of jail fees and other expenditures		16,232
<hr/>		
Total Other Governmental Funds fund balance		121,868
<hr/>		
Total Governmental fund balance	\$	1,593,371

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

11. Interfund Transfers

Interfund transfers are used to fund operations in various accounts. The composition of interfund transfers as of December 31, 2020 is as follows:

	Transfers In	Transfers Out	Net Transfers
Governmental Activities			
General Fund	\$ 46,789	\$ -	\$ 46,789
Street Fund	216	-	216
Other Governmental Funds - Volunteer Fire Tax Fund		46,750	(46,750)
Business-Type Activities			
Water & Sewer Fund	218,598	-	218,598
Sanitation Fund	-	218,853	(218,853)
Total	\$ 265,603	\$ 265,603	\$ -

12. Retirement Plans

The City of Lavaca, Arkansas participates in three defined benefit pension plans; which are comprised of one agent multiple employer defined benefit pension plan and two cost-sharing multiple-employer defined benefit pension plans, each of which are described in detail below. Aggregate amounts for the three pension plans are as follows:

	APERS	LOPFI	FRFP	Total
Net pension liability	\$ 205,120	\$ 353,173	\$ 38,223	\$ 596,516
Deferred outflows of resources	20,089	75,891	3,471	99,451
Deferred outflows of resources contributions	39,396	18,268	5,501	63,165
Deferred inflows of resources	13,009	77,939	5,922	96,870
Pension expense	37,996	68,693	7,102	113,791

The City had no pension contribution liabilities on December 31, 2020.

Pension items listed above for Arkansas Public Employees Retirement System (APERS) Plan have been allocated between governmental activities and business-type activities on the basis of total salaries.

Pension items listed above for Arkansas Local Police and Fire Retirement System Plan (LOPFI) and Firemen's Relief and Pension Fund (FRFP) Plan have been recorded in governmental activities.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Arkansas Public Employees Retirement Systems (APERS)

Plan Description

The City participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/207	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Benefits Provided (continued)

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The City contributed 15.32% of compensation for both fiscal years ended December 31, 2020 and 2019, respectively. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the City were \$26,689 and \$25,355 for the years ended December 31, 2020 and 2019, respectively.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net Pension Liability was based on the City's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the City's proportionate share was 0.00850230%.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2019 and the City's report ending date of December 31, 2020, that would have had a significant impact on the net pension liability.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	30 years (8.6 years for District Judges New Plan/Paid Off Old Plan and 17 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017

Actuarial Assumptions (continued)

All other actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

Long-term Expected Rate of Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Long-term Expected Rate of Return on Plan Assets (continued)

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
	<u>100%</u>	
Total Real Rate of Return		4.80%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		7.30%

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2019 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 3.13% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

The single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.15%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	\$ 328,757	\$ 205,120	\$ 103,115

Pension Expense and Deferred Outflows / Inflows of Resources Related to Pensions

The City's proportionate share of pension expense was \$37,996 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,583	\$ 305
Changes in assumptions	11,133	7,885
Net difference between projected and actual earnings on pension plan investments	-	1,558
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,373	3,261
City contributions subsequent to the measurement date	39,396	-
Total	\$ 59,485	\$ 13,009

\$39,396 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2021	\$ 9,608
2022	(5,229)
2023	(164)
2024	2,865
	\$ 7,080

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Arkansas Local Police and Fire Retirement System (LOPFI) (the New Plan)

Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) is a state-wide cost sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981 are eligible to participate in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, 620 West 3rd Street, Little Rock, Arkansas 72201.

Benefits Provided

LOPFI provides for a retirement benefit paid to the member on a monthly basis. The monthly benefit is based on a formula provided by law for the member's lifetime. The member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credited service (years and months), and final average pay. Each option available to the member provides for a different calculation based on these factors.

Employer Contributions

Contributions to LOPFI are made by both the member and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 2.5% of covered payroll for policemen. The City contributed 23.5% of covered employee's salaries to the plan for policemen. The City contributed \$18,268 and \$19,598 to the Plan for the years ended December 31, 2020 and 2019, respectively. The Plan also receives a state insurance turnback, which amounted to \$21,933 and \$20,424 for the years ended December 31, 2020 and 2019, respectively.

LOPFI Fiduciary Net Position

Detailed information about LOPFI's fiduciary net position is available in the separately issued LOPFI Financial Report available at <http://www.lopfi-prb.com/lopfi/reports>.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Timing of the Valuation (continued)

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of December 31, 2019 and the City's report ending date of December 31, 2020, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Paid Service) Increasing Dollar, Closed (Volunteer Service)
Remaining Amortization Method	17.0 years beginning January 1, 2019 (Paid Service) 16.0 years beginning January 1, 2019 (Volunteer Service)
Asset Valuation Method	5-Year smoothed market; 20% corridor
Price Inflation	2.50%
Wage Inflation	3.25% (Paid Service) N/A (Volunteer Service)
Salary Increases	3.75% to 18.75%, including inflation (Paid Service) N/A (Volunteer Service)
Investment Rate of Return	7.50%, as adopted by the Board
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016
Other information	There were no changes in benefit provisions or methods in the December 31, 2017 actuarial evaluation. There were changes in assumptions following an experience study of the period 2012-2016

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions collected from fourteen national investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Allocation Weighted Long-Term Expected Real Rate of Return</u>
Fixed Income	30%	1.3%	0.40%
Domestic Equity	42%	5.4%	2.27%
Foreign Equity	18%	7.8%	1.40%
Alternative Investments	10%	6.7%	0.67%
Total	<u>100%</u>		4.74%
Expected Inflation			2.25%
Total Return			<u>6.99%</u>

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.00%.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Single Discount Rate (continued)

The single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 558,597	\$ 353,173	\$ 188,050

Pension Expense, and Deferred Inflows / Outflows of Resources Related to Pensions

The City's proportionate share of pension expense was \$68,693 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,625	\$ 341
Changes in assumptions	26,412	-
Net difference between projected and actual earnings on pension plan investments	-	40,679
Change in proportion	23,854	36,919
City contributions subsequent to the measurement date	18,268	-
Total	\$ 94,159	\$ 77,939

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions (continued)

\$18,268 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2021	\$ 11,119
2022	(2,919)
2023	7,748
2024	(17,996)
	\$ (2,048)

Firemen's Relief and Pension Fund (FRPF) (the Old Plan)

Plan Description

The Firemen's Relief and Pension Fund (FRPF) is an agent multiple-employer defined benefit pension plan for employees of the fire department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. The City entered into an agreement with the Arkansas local police and fire retirement system (LOPFI) whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of Arkansas. Per the agreement between the City and LOPFI, the City will contribute and actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plan's net pension obligation over a 30 year open amortization period. The Old Plan's benefit structure remains unchanged under the administration of LOPFI. The Old Plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas, 72201.

Benefits Provided

The FRFP provides retirement benefits for firemen who have completed 20 years of service regardless of age. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRFP also provides benefits for surviving spouses and dependent children of deceased firemen. No participants' benefits vest until normal retirement age.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Benefits Provided (continued)

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees an beneficiaries	6
DROP members	N/A
Active members	-
Total	<u>6</u>

Employer Contributions

The contribution rate for the City is actuarially determined on an annual basis. The City contributed \$5,501 and \$4,519 to the Plan for the years ended December 31, 2020 and 2019, respectively. The Plan also receives a state insurance turnback on an annual basis, which amounted to \$3,215 and \$3,387 for the years ended December 31, 2020 and 2019, respectively.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of December 31, 2019 and the City's report ending date of December 31, 2020, that would have had a significant impact on the net pension liability.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Actuarial Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected benefit factors
Remaining Amortization Method	6 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.75%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016
Other information	There were no benefit changes during the year

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions collected from fourteen national investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Investment Rate of Return (continued)

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return	Allocation Weighted Long-Term Expected Real Rate of Return
Fixed Income	30%	1.3%	0.40%
Domestic Equity	42%	5.4%	2.27%
Foreign Equity	18%	7.8%	1.40%
Alternative Investments	10%	6.7%	0.67%
Total	100%		4.74%
Expected Inflation			2.25%
Total Return			6.99%

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement dates (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the "20-Bond GO Index" rate from the Bond Buyer Index); and the resulting single discount rate is 7.00%

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 46,173	\$ 38,223	\$ 31,362

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Pension Expense, and Deferred Inflows / Outflows of Resources Related to Pensions

The City's pension expense was \$7,102 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 3,471	\$ 5,922
City contributions subsequent to the measurement date	5,501	-
Total	\$ 8,972	\$ 5,922

\$5,501 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net (Decrease) in Pension Expense
2021	\$ (518)
2022	(723)
2023	(60)
2024	(1,150)
	\$ (2,451)

13. Insurance Proceeds

The City received insurance proceeds totaling \$43,087 during the year ended December 31, 2020. Approximately \$41,039 was for vehicle damage and \$2,048 was for wind damage to a building.

14. Flexible Benefit Plan

The City offers all active full-time employees and elected City officials who receive a W-2 form the option to participate in a flexible benefit plan administered by an appointed committee. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code of 1954, as amended, to provide for group medical/dental assistance for its eligible employees and dependents. The plan is funded solely by salary reductions as elected on a voluntary basis by participants.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

15. Concentrations Of Credit Risk

Financial instruments that potentially subject the City to credit risk consist primarily of accounts receivable. The receivables consist of charges for services, property taxes and turnback funds due to the City from individuals located within the same geographic region or for economic activity occurring within the same geographic region.

16. Risk Management

The City is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance and workers compensation insurance through Arkansas Municipal League and Columbia Insurance Group.

There has been no significant reduction in the City's insurance coverage from the previous year. In addition, there have been no settlements in excess of the City's coverage in any of the prior three fiscal years.

17. Interlocal Agreement

The Franklin Sebastian Public Water Authority (FSPWA) entered into a surplus water agreement with the City of Fort Smith, Arkansas whereby the Authority will sell potable water to the City as well as the other user parties within the agreement. Water purchased by the City from the FSPWA totaled \$232,116. Additionally, the contract states that the City is responsible for 45% of the FSPWA debt service and fixed costs. This amount totaled \$44,315 during 2020. The City does provide clerical services and operations and maintenance support for the FSPWA which helps offset these costs. During 2020 the City received \$23,532 for these services.

18. COVID-19

On March 11, 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The spread of COVID-19 continues to cause global economic uncertainty as of the date of this report. The City's offices have remained open and operations continued. The pandemic has had little impact on the City financially. The City received \$90,461 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) enacted by Congress in response to the economic fallout of the pandemic, but has seen no other significant impact due to COVID-19 on the City's total revenues or expenses. The full extent of the impact on the City's operations and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted. The City will continue to monitor its operations, liquidity and capital resources to minimize the current and future impact of this unprecedented situation.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

19. Subsequent Events

The City has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2020 through March 19, 2020, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVACA, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues				
Property and real estate taxes	\$ 115,000	\$ 115,000	\$ 124,643	\$ 9,643
State turnbacks	36,000	36,000	57,330	21,330
Franchise tax	98,000	98,000	91,043	(6,957)
Sales and use taxes	306,250	346,386	367,800	21,414
Grants	-	1,000	145,617	144,617
Licenses and permits	2,600	2,600	1,510	(1,090)
Court fines	12,000	12,000	11,375	(625)
Interest	-	-	1,440	1,440
Donations	5,000	5,000	6,650	1,650
Other income	1,750	62,231	6,450	(55,781)
Total Revenues	576,600	678,217	813,858	135,641
Expenditures				
Administration	186,800	189,695	206,983	17,288
Police	215,284	215,284	252,619	37,335
Fire	39,926	50,348	38,774	(11,574)
Debt service	36,000	36,000	35,599	(401)
Capital outlays	98,590	186,890	269,200	82,310
Total Expenditures	576,600	678,217	803,175	124,958
Excess of Revenues Over (Under) Expenditures	-	-	10,683	10,683
Other Financing Sources				
Proceeds from sale of assets	-	3,900	3,900	-
Insurance proceeds	-	-	43,087	43,087
Operating transfers in (out)	-	-	46,789	46,789
Total Other Financing Sources	-	3,900	93,776	89,876
Change in Fund Balance	-	3,900	104,459	100,559
Fund Balance at Beginning of Year	559,635	559,635	559,635	-
Fund Balance at End of Year	\$ 559,635	\$ 563,535	\$ 664,094	\$ 100,559

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues				
State turnbacks	\$ 149,930	\$ 149,930	\$ 172,311	\$ 22,381
Sales and use taxes	54,657	14,521	14,927	406
County road	76,000	76,000	76,620	620
Interest	5,000	5,000	3,419	(1,581)
Other income	-	40,136	-	(40,136)
Total Revenues	285,587	285,587	267,277	(18,310)
Expenditures				
Streets	260,587	262,138	161,062	(101,076)
Capital outlays	25,000	23,449	190,394	166,945
Total Expenditures	285,587	285,587	351,456	65,869
Excess of Revenues Over (Under) Expenditures	-	-	(84,179)	(84,179)
Other Financing Sources				
Operating transfers in (out)	-	-	216	216
Total Other Financing Sources	-	-	216	216
Change in Fund Balance	-	-	(83,963)	(84,179)
Fund Balance at Beginning of Year	891,372	891,372	891,372	-
Fund Balance at End of Year	\$ 891,372	\$ 891,372	\$ 807,409	\$ (84,179)

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEMS

FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
City's proportion of the net pension liability	0.00850230%	0.00847094%	0.00860168%	0.00811826%	0.00915271%	0.00954499%
City's proportionate share of the net pension liability	\$ 205,120	\$ 186,863	\$ 222,279	\$ 194,136	\$ 162,388	\$ 135,435
City's covered-employee payroll	\$ 162,668	\$ 158,669	\$ 155,036	\$ 147,090	\$ 159,673	\$ 168,760
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.10%	117.77%	143.37%	131.98%	101.70%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Required Contributions

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 24,926	\$ 23,404	\$ 22,479	\$ 21,328	\$ 23,969	\$ 25,111
Contributions in relation to the contractually required contribution	(24,926)	(23,404)	(22,479)	(21,328)	(23,969)	(25,111)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 162,668	\$ 158,669	\$ 155,036	\$ 147,090	\$ 159,673	\$ 168,760
Contributions as a percentage of covered-employee payroll	15.32%	14.75%	14.50%	14.50%	15.01%	14.88%

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEMS

FOR THE YEAR ENDED DECEMBER 31, 2020

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. Changes in benefits: None

3. Changes in actuarial assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Single Discount Rate	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
Source: 20-Bond GO Index						
Remaining Amortization Period	30 Years	25 Years	25 Years	21 Years	25 Years	23 years
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.75% wage 2.75% price
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
City's proportion of the net pension liability						
Police	0.03272%	0.02821%	0.03804%	0.03874%	0.04143%	0.04120%
Volunteer Police	0.06536%	0.05527%	0.06713%	0.08212%	0.06917%	0.06986%
Volunteer Fire	0.17347%	0.18767%	0.18963%	0.19136%	0.22949%	0.23632%
City's proportionate share of the net pension liability						
Police	\$ 252,865	\$ 254,585	\$ 270,341	\$ 221,037	\$ 217,395	\$ 149,156
Volunteer Police	27,451	27,956	28,636	30,411	25,436	22,317
Volunteer Fire	72,857	94,928	80,894	70,869	84,387	75,497
City's covered-employee payroll	\$ 116,206	\$ 93,741	\$ 118,326	\$ 116,348	\$ 119,595	\$ 126,845
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.60%	271.58%	228.47%	189.98%	181.78%	117.59%
Plan fiduciary net position as a percentage of the total pension liability	73.03%	65.84%	71.17%	72.46%	72.41%	79.06%

Schedule of Required Contributions

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution						
Police	\$ 27,308	\$ 22,029	\$ 27,215	\$ 25,597	\$ 25,725	\$ 25,450
Volunteer Police	3,481	2,737	3,231	3,793	3,222	3,241
Volunteer Fire	9,239	9,294	9,127	8,839	10,691	10,965
Contributions in relation to the contractually required contribution	(40,028)	(34,060)	(39,573)	(38,229)	(39,638)	(39,656)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 116,206	\$ 93,741	\$ 118,326	\$ 116,348	\$ 119,595	\$ 126,845
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.00%	22.00%	21.51%	20.06%

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2020

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.
2. Changes in benefits: None
3. Changes in actuarial assumptions:

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Single Discount Rate	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Investment Rate of Return	7.50%	7.75%	7.75%	8.00%	7.75%	8.00%
Long-Term Investment Rate of Return	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Municipal Bond Rate	2.75%	3.71%	3.31%	3.78%	3.57%	3.56%
Remaining Amortization Method						
Paid Service	17.0 years	16.8 years	17 years	16.8 years	18.8 years	17.3 years
Unpaid Service	16.0 years	18.5 years	16 years	18.5 years	21.2 years	9 years
Price Inflation	2.50%	2.75%	2.75%	3.00%	2.75%	3.00%
Wage Inflation - Paid Service	3.25%	3.75%	3.75%	4.00%	3.75%	4.00%
Salary Increases - Paid Service (including inflation)	3.75% to 18.25%	4.25% to 18.75%	4.25% to 18.75%	4.50% to 19.00%	4.25% to 18.75%	4.50% to 19.00%
Mortality Table	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest cost	6,346	6,490	7,042	7,174	7,394	7,530
Benefit changes due to plan amendments	-	-	-	-	-	-
Difference between expected and actual experience	3,687	3,322	3,236	3,229	2,843	2,546
Changes of assumptions	-	-	3,474	-	1,918	-
Benefit payment, including refunds of employee contributions	(12,000)	(11,754)	(12,048)	(12,144)	(11,880)	(11,682)
Net change in total pension liability	(1,967)	(1,942)	1,704	(1,741)	275	(1,606)
Total pension liability - beginning	96,656	98,598	96,894	98,635	98,360	99,966
Total pension liability - ending	\$ 94,689	\$ 96,656	\$ 98,598	\$ 96,894	\$ 98,635	\$ 98,360
Plan Net Fiduciary Position						
Contributions - employer *	\$ 7,906	\$ 7,320	\$ 7,130	\$ 5,706	\$ 7,489	\$ 6,731
Contributions - employee	-	-	-	-	-	-
Net investment income	9,204	(1,576)	7,384	3,281	112	4,473
Benefit payments, including refunds of employee contributions	(12,000)	(11,754)	(12,048)	(12,144)	(11,880)	(11,682)
Administrative	(81)	(105)	(95)	(720)	(590)	(106)
Net change in plan net fiduciary position	5,029	(6,115)	2,371	(3,877)	(4,869)	(584)
Plan net fiduciary position - beginning	51,437	57,552	55,181	59,058	63,927	64,511
Plan net fiduciary position - ending	\$ 56,466	\$ 51,437	\$ 57,552	\$ 55,181	\$ 59,058	\$ 63,927
Net pension liability - ending	\$ 38,223	\$ 45,219	\$ 41,046	\$ 41,713	\$ 39,577	\$ 34,433
Plan net fiduciary position as percentage of total pension liability	59.63%	53.22%	58.37%	56.95%	59.88%	64.99%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability position as percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Includes assets reported as Premium Tax money

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution *	\$ 7,906	\$ 7,320	\$ 7,130	\$ 5,706	\$ 7,489	\$ 6,731
Contributions in relation to the contractually required contribution	(7,906)	(7,320)	(7,130)	(5,706)	(7,489)	(6,731)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Includes contributions reported as Premium Tax money

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.
2. Changes in benefits: None
3. Changes in actuarial assumptions:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Single Discount Rate	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Investment Rate of Return	7.50%	7.75%	7.75%	8.00%	7.75%	8.00%
Long-Term Investment Rate of Return	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Municipal Bond Rate	2.75%	3.71%	3.31%	3.78%	3.57%	3.56%
Remaining Amortization Method	6 years	7 years	8 years	7 years	8 years	9 years
Price Inflation	2.50%	2.75%	2.75%	3.00%	2.75%	3.00%

See independent auditors' report.

ADDITIONAL REPORTS



**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***

To the Honorable Mayor and City Council
City of Lavaca, Arkansas

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 governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Lavaca, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Lavaca, Arkansas' basic financial statements and have issued our report thereon dated March 19, 2021, which was modified to reflect the omission of the management's discussion and analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lavaca, Arkansas' internal control over financial reporting (internal control) as a basis for designing 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 City of Lavaca, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lavaca Arkansas' 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 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.

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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 City of Lavaca, Arkansas' basic 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 financial statements. 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

This 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 19, 2021



Independent Auditors' Report On Compliance With Certain State Statutes

To the Honorable Mayor and City Council
City of Lavaca, Arkansas

We have audited the basic financial statements of the City of Lavaca, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2021.

We conducted our audit 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.

Compliance with state laws and regulations applicable to the City of Lavaca, Arkansas, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with the following state statutes as required by Act 15, Ark. Code annotated 14-58-101:

- Municipal Accounting Law, Act 1959 of 1973
- Municipal Court and Police Department, Act 332 of 1977
- Bonding of Municipal Employees, Act 338 of 1965 and Act 677 of 1975
- Improvement Contracts
- Budgets and Purchases
- Investment of Public Funds
- Deposit of Public Funds

However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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The results of our test indicate that, with respect to the items tested, the City of Lavaca, Arkansas, was in substantial compliance, in all material respects, with the statutes referred to above. With respect to the items not tested, nothing caused us to believe that the City of Lavaca, Arkansas was not in substantial compliance with the statutes referred to above.

This report is intended solely for the information and use of the audit committee, management and the Arkansas Division of Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 19, 2021