

**Arkansas Fire and Police Pension Review Board**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

# Arkansas Fire and Police Pension Review Board

December 31, 2020 and 2019

<b>Independent Auditor’s Report.....</b>	<b>1</b>
<b>Management’s Discussion and Analysis .....</b>	<b>3</b>
<b>Financial Statements</b>	
Balance Sheets.....	6
Statements of Revenues, Expenses and Changes in Net Position .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report.....</b>	<b>10</b>

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Arkansas Fire and Police Pension Review Board (the PRB) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the PRB's financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arkansas Fire and Police Pension Review Board as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we also have issued our report dated April 16, 2021, on our consideration of the PRB's internal control over financial reporting and on 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 PRB's 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 PRB's internal control over financial reporting and compliance.

**BKD, LLP**

Little Rock, Arkansas  
April 16, 2021

# Arkansas Fire and Police Pension Review Board

## Management's Discussion and Analysis

### December 31, 2020 and 2019

The management's discussion and analysis (MD&A) of the Arkansas Fire and Police Pension Review Board (hereafter referred to as the PRB) provides an overview of the financial activities for the years ended December 31, 2020 and 2019. For more detailed information regarding PRB financial activities, the reader should review the actual financial statements, including all notes.

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

The basic financial statements consist of:

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

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

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

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

**Arkansas Fire and Police Pension Review Board**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**

**Summary Balance Sheets**

	2020	2019	2018	2020 Percent Change	2019 Percent Change
Receivable from Arkansas Local Police and Fire Retirement System (LOPFI)	\$ 382,300	\$ 590,926	\$ 557,443	-35.30%	6.01%
Total assets	<u>\$ 382,300</u>	<u>\$ 590,926</u>	<u>\$ 557,443</u>	<u>-35.30%</u>	<u>6.01%</u>
Accrued expenses	\$ 3,272	\$ 1,684	\$ -	94.30%	n/a
Total liabilities	<u>3,272</u>	<u>1,684</u>	<u>-</u>	<u>94.30%</u>	<u>n/a</u>
Total net position	<u>379,028</u>	<u>589,242</u>	<u>557,443</u>	<u>-35.68%</u>	<u>5.70%</u>
Total liabilities and net position	<u>\$ 382,300</u>	<u>\$ 590,926</u>	<u>\$ 557,443</u>	<u>-35.30%</u>	<u>6.01%</u>

**December 31, 2020**

LOPFI receives all revenue and pays all expenses for the PRB. For the year ended December 31, 2020, LOPFI paid more in expenses for PRB than was received in revenue. This resulted in the receivable from LOPFI decreasing by \$210,310 in 2020.

**December 31, 2019**

LOPFI receives all revenue and pays all expenses for the PRB. For the year ended December 31, 2019, LOPFI received more in revenue for PRB than was paid in expenses. This resulted in the receivable from LOPFI increasing by \$33,483 in 2019.

**Arkansas Fire and Police Pension Review Board**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**

**Summary Statement of Revenues, Expenses and Changes in Net Position**

	2020	2019	2018	2020 Percentage Change	2019 Percentage Change
State Insurance Commission tax tumbback – PRB operations	\$ 205,000	\$ 470,000	\$ 528,000	-56.38%	-10.98%
State Insurance Commission tax tumbback – special reports	6,750	6,500	-	3.85%	n/a
State Insurance Commission tax tumbback – UALR mapping project	131,512	151,488	151,488	-13.19%	0.00%
State Insurance Commission tax tumbback – allocation report	52,000	50,000	50,000	4.00%	0.00%
Operating revenue	<u>395,262</u>	<u>677,988</u>	<u>729,488</u>	<u>-41.70%</u>	<u>-7.06%</u>
UALR mapping program	131,512	151,488	151,488	-13.19%	0.00%
Salaries	227,656	271,153	252,878	-16.04%	7.23%
Actuarial expense	122,175	120,825	121,350	1.12%	-0.43%
Office supplies	39,307	27,224	10,411	44.38%	161.49%
Office equipment maintenance	32,333	26,977	26,564	19.85%	1.55%
Other expenses	<u>52,493</u>	<u>48,522</u>	<u>58,323</u>	<u>8.18%</u>	<u>-16.80%</u>
Operating expenses	<u>605,476</u>	<u>646,189</u>	<u>621,014</u>	<u>-6.30%</u>	<u>4.05%</u>
Change in net position	<u>\$ (210,214)</u>	<u>\$ 31,799</u>	<u>\$ 108,474</u>	<u>0.00%</u>	<u>-70.69%</u>

**December 31, 2020**

The PRB is entitled to receive a portion of insurance premium tax monies for administrative expenses as defined in ACA 24-11-203. Based on the 2020 budget, the PRB requested and received \$205,000 for PRB operations and \$52,000 for the premium tax allocation report during 2020. In addition, the PRB requested \$6,750 for special reports and received \$131,512 for the UALR mapping project. The increase in expenses for the year ended December 31, 2020, was primarily due to an increase in office supplies to assist employees with working remotely due to the COVID-19 pandemic.

**December 31, 2019**

The PRB is entitled to receive a portion of insurance premium tax monies for administrative expenses as defined in ACA 24-11-203. Based on the 2019 budget, the PRB requested and received \$470,000 for PRB operations and \$50,000 for the premium tax allocation report during 2019. In addition, the PRB requested \$6,500 for special reports and received \$151,488 for the UALR mapping project. The increase in expenses for the year ended December 31, 2019, was primarily due to an increase in salaries due to a vacant position being filled.

**Arkansas Fire and Police Pension Review Board**  
**Balance Sheets**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Receivable from Arkansas Local Police and Fire Retirement System (LOPFI)	\$ 382,300	\$ 590,926
Total current assets	<u>382,300</u>	<u>590,926</u>
Total assets	<u><u>\$ 382,300</u></u>	<u><u>\$ 590,926</u></u>
<b>Liabilities</b>		
Accrued expenses	\$ 3,272	\$ 1,684
Total current liabilities	<u>3,272</u>	<u>1,684</u>
Total liabilities	<u>3,272</u>	<u>1,684</u>
<b>Net Position</b>		
Net position	<u>379,028</u>	<u>589,242</u>
Total net position	<u>379,028</u>	<u>589,242</u>
Total liabilities and net position	<u><u>\$ 382,300</u></u>	<u><u>\$ 590,926</u></u>



**Arkansas Fire and Police Pension Review Board**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
State Insurance Commission tax turnback – PRB operations	\$ 205,000	\$ 470,000
State Insurance Commission tax turnback – special reports	6,750	6,500
State Insurance Commission tax turnback – UALR mapping project	131,512	151,488
State Insurance Commission tax turnback – allocation report	<u>52,000</u>	<u>50,000</u>
Operating revenues	<u>395,262</u>	<u>677,988</u>
 <b>Operating Expenses</b>		
UALR mapping program	131,512	151,488
Salaries	227,656	271,153
Office supplies	39,307	27,224
Office equipment maintenance	32,333	26,977
Postage	4,093	3,342
Telephone	25,829	18,499
Publications	844	671
Printing	-	227
Travel/professional/education/conference	9,938	13,766
Board supplies	801	1,380
Actuarial expense	122,175	120,825
Insurance	2,188	2,137
Audit fee	<u>8,800</u>	<u>8,500</u>
Operating expenses	<u>605,476</u>	<u>646,189</u>
 <b>Change in Net Position</b>	 (210,214)	 31,799
 <b>Net Position, Beginning of Year</b>	 <u>589,242</u>	 <u>557,443</u>
 <b>Net Position, End of Year</b>	 <u>\$ 379,028</u>	 <u>\$ 589,242</u>

**Arkansas Fire and Police Pension Review Board**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Cash flows from operating activities	\$ -	\$ -
<b>Noncapital Financing Activities</b>		
Cash flows from noncapital financing activities	-	-
<b>Capital and Related Financing Activities</b>		
Cash flows from financing activities	-	-
<b>Investing Activities</b>		
Cash flows from investing activities	-	-
<b>Change in Cash and Cash Equivalents</b>	-	-
<b>Cash and Cash Equivalents, Beginning of Year</b>	-	-
<b>Cash and Cash Equivalents, End of Year</b>	\$ -	\$ -
 <b>Reconciliation of Change in Net Position to Net Cash Provided by</b>		
<b>Operating Activities</b>		
Change in net position	\$ (210,214)	\$ 31,799
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Changes in		
Accrued expenses	1,588	1,684
Receivable from LOPFI	208,626	(33,483)
Net cash provided by operating activities	\$ -	\$ -

**Arkansas Fire and Police Pension Review Board**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1: Reporting Entity and Summary of Significant Accounting Policies**

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

***Basis of Accounting***

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

**Note 2: Related Party Transactions**

The executive director and staff of Arkansas Local Police and Fire Retirement System (LOPFI) serve as executive director and staff for the PRB; LOPFI receives all revenue and pays all expenses for the PRB. The portion of revenues and expenses attributable to the PRB is allocated to the PRB account on the LOPFI books; due to this arrangement, the major asset of the PRB is a receivable from LOPFI, which amounted to \$382,300 and \$590,926 at December 31, 2020 and 2019, respectively. The allocation of expenses is determined by each respective board through the use of an administrative committee composed of members of both boards.

**Note 3: Commitments and Contingencies**

***Geographic Information Systems Mapping Project***

The PRB has entered into a contract with the University of Arkansas at Little Rock to provide demographic and mapping data through its Geographic Information Systems Applications Laboratory to ensure compliance with Acts 1570 and 1288 of the 82nd General Assembly of the State of Arkansas. The acts require the drawing of new fire district boundaries following physical features of the land. Per the 2000 Census data, a population assessment for each district has been tabulated for the purpose of allocating State Insurance Department Turnback Funds. The Arkansas Insurance Department has awarded the PRB \$183,512 and \$201,488 for each of the years ended December 31, 2020 and 2019, for funding of the project, including \$52,000 and \$50,000 for additional actuarial expenses.

**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**

**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Arkansas Fire and Police Pension Review Board (the PRB), which comprise the balance sheets as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2021.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the PRB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Little Rock, Arkansas  
April 16, 2021