

CITY OF LAVACA, ARKANSAS

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2023



CITY OF LAVACA, ARKANSAS
DECEMBER 31, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Lavaca, Arkansas', basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lavaca, Arkansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lavaca, Arkansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Lavaca, Arkansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lavaca, Arkansas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 statement in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements is not affected by this missing 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 49-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024, on our consideration of the City of Lavaca, Arkansas’ 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 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
February 26, 2024

BASIC FINANCIAL STATEMENTS

CITY OF LAVACA, ARKANSAS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023

Assets and Deferred Outflows	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 1,275,251	\$ 437,517	\$ 1,712,768
Certificates of deposit	743,454	480,370	1,223,824
Restricted checking and savings accounts	48,963	106,847	155,810
Restricted certificates of deposit	-	145,025	145,025
Restricted investments	-	65,879	65,879
Accounts receivable	112,095	85,425	197,520
Prepaid expenses	2,114	1,292	3,406
Total Current Assets	2,181,877	1,322,355	3,504,232
Capital Assets, Net	4,097,455	3,956,634	8,054,089
Total Assets	6,279,332	5,278,989	11,558,321
Deferred Outflows			
Deferred amount on refunding of debt, net of amortization	-	12,786	12,786
Deferred amounts related to pensions	253,081	48,807	301,888
Total Deferred Outflows	253,081	61,593	314,674
Total Assets and Deferred Outflows	\$ 6,532,413	\$ 5,340,582	\$ 11,872,995
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities			
Accounts payable	\$ 44,126	\$ 21,833	\$ 65,959
Accrued interest	247	2,011	2,258
Meter deposits	-	48,710	48,710
Current maturity of long-term debt	32,188	65,000	97,188
Current portion of other long-term liabilities	-	26,820	26,820
Total Current Liabilities	76,561	164,374	240,935
Non-current Liabilities			
Long-term debt, net of unamortized bond discounts	79,885	1,300,393	1,380,278
Other long-term liabilities	-	99,566	99,566
Net pension liability	621,874	153,647	775,521
Total Non-current Liabilities	701,759	1,553,606	2,255,365
Total Liabilities	778,320	1,717,980	2,496,300
Deferred Inflows			
Deferred amounts related to pensions	62,163	3,899	66,062
Total Deferred Inflows	62,163	3,899	66,062
Net Position			
Net investment in capital assets	3,985,382	2,604,101	6,589,483
Restricted	48,963	254,955	303,918
Unrestricted	1,657,585	759,647	2,417,232
Total Net Position	5,691,930	3,618,703	9,310,633
Total Liabilities, Deferred Inflows, and Net Position	\$ 6,532,413	\$ 5,340,582	\$ 11,872,995

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue And Change In Net Assets		Total
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	
Governmental Activities							
Administration	\$ 344,327	\$ 17,466	\$ -	\$ -	\$ (326,861)	\$ -	\$ (326,861)
Police	387,652	-	6,183	3,000	(378,469)	-	(378,469)
Fire	128,651	-	-	-	(128,651)	-	(128,651)
Streets	327,437	-	-	213,840	(113,597)	-	(113,597)
Criminal justice	80	2,301	-	-	2,221	-	2,221
Interest on long-term debt	4,431	-	-	-	(4,431)	-	(4,431)
Total Governmental Activities	1,192,578	19,767	6,183	216,840	(949,788)	-	(949,788)
Business-Type Activities							
Water and Sewer	942,102	741,510	-	-	-	(200,592)	(200,592)
Sanitation	134,633	157,191	-	-	-	22,558	22,558
Total Business-Type Activities	1,076,735	898,701	-	-	-	(178,034)	(178,034)
Total	\$ 2,269,313	\$ 918,468	\$ 6,183	\$ 216,840			

General Revenues:

Property and real estate taxes	151,562	-	151,562
State turnbacks	270,497	-	270,497
Franchise tax	131,576	-	131,576
Sales and use taxes	535,174	142,262	677,436
County road	91,038	-	91,038
Volunteer fire tax	21,682	-	21,682
Fire Act 833	14,889	-	14,889
Interest income	26,111	32,102	58,213
Gain (loss) on asset disposal	(9,225)	16,550	7,325
Other	3,604	43,052	46,656

Special Items

FSPWA fixed and variable costs	-	(23,112)	(23,112)
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Transfers

	(282,562)	282,562	-
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Total General Revenues and Transfers	954,346	493,416	1,447,762
Change In Net Position	4,558	315,382	319,940
Net Position, Beginning of Year	5,687,372	3,303,321	8,990,693
Net Position, End of Year	\$ 5,691,930	\$ 3,618,703	\$ 9,310,633

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2023

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 752,460	\$ 371,050	\$ 151,741	\$ 1,275,251
Certificates of deposit	143,277	600,177	-	743,454
Restricted cash and cash equivalents	48,963	-	-	48,963
Accounts receivable	72,334	39,569	192	112,095
Prepaid expenses	1,962	152	-	2,114
Total Assets	\$ 1,018,996	\$ 1,010,948	\$ 151,933	\$ 2,181,877
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 40,712	\$ 3,414	\$ -	\$ 44,126
Total Liabilities	40,712	3,414	-	44,126
Fund Balances				
Nonspendable	1,962	152	-	2,114
Spendable:				
Restricted	48,963	-	-	48,963
Committed	-	-	129,803	129,803
Assigned	447,140	1,007,382	22,130	1,476,652
Unassigned	480,219	-	-	480,219
Total Fund Balances	978,284	1,007,534	151,933	2,137,751
Total Liabilities and Fund Balances	\$ 1,018,996	\$ 1,010,948	\$ 151,933	\$ 2,181,877

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

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

AS OF DECEMBER 31, 2023

Total Fund Balances - Governmental Funds	\$ 2,137,751
Amounts reported for governmental <i>activities</i> 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 \$6,971,046 and the accumulated depreciation is \$2,873,591.	4,097,455
Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	253,081
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.	(621,874)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	(62,163)
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.	(112,320)
Total Net Position - Governmental Activities	\$ 5,691,930

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

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

	General	Street	Other Governmental Funds	Total Governmental Funds
FOR THE YEAR ENDED DECEMBER 31, 2023				
Revenues				
Property and real estate taxes	\$ 151,562	\$ -	\$ -	\$ 151,562
State turnbacks	64,545	205,952	-	270,497
Franchise tax	131,576	-	-	131,576
Sales and use taxes	453,903	81,271	-	535,174
Grants	9,183	213,840	-	223,023
County road	-	91,038	-	91,038
Volunteer fire tax	-	-	21,682	21,682
Fire Act 833	14,889	-	-	14,889
Licenses and permits	2,521	-	-	2,521
Court fines	14,945	-	2,301	17,246
Interest	4,270	20,670	1,171	26,111
Other income	3,604	-	-	3,604
Total Revenues	850,998	612,771	25,154	1,488,923
Expenditures				
Administration	285,884	-	-	285,884
Police	310,145	-	-	310,145
Fire	72,464	-	9,933	82,397
Streets	-	205,717	-	205,717
Criminal justice	-	-	80	80
Debt service:				
Interest	4,500	-	-	4,500
Principal	31,099	-	-	31,099
Capital outlays	316,728	334,979	-	651,707
Total Expenditures	1,020,820	540,696	10,013	1,571,529
Excess of Revenues Over (Under) Expenditures	(169,822)	72,075	15,141	(82,606)
Other Financing Sources				
Operating transfers in / (out)	(280,667)	(1,895)	-	(282,562)
Total Other Financing Sources	(280,667)	(1,895)	-	(282,562)
Change in Fund Balance	(450,489)	70,180	15,141	(365,168)
Fund Balance at Beginning of Year	1,428,773	937,354	136,792	2,502,919
Fund Balance at End of Year	\$ 978,284	\$ 1,007,534	\$ 151,933	\$ 2,137,751

See accompanying notes to financial statements.

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, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	(365,168)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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 \$651,707 exceeds depreciation of \$272,448 during the year.</p>		
		379,259
<p>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.</p>		
<p>These activities consist of:</p>		
City pension contributions	63,282	
Cost of benefits earned net of employee contributions	(94,758)	(31,476)
<p>Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		31,099
<p>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.</p>		
		69
<p>The statement of activities reports a loss on disposal of assets which was due to disposing of fixed assets that had a book value in excess of the sales price. The book value is calculated as follows:</p>		
Cost of assets disposed	(36,902)	
Accumulated depreciation of assets disposed	27,677	(9,225)
Change in Net Position of Governmental Activities	\$	4,558

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

AS OF DECEMBER 31, 2023

Assets and Deferred Outflows	Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Total
Current Assets			
Cash and cash equivalents	\$ 437,487	\$ 30	\$ 437,517
Certificates of deposit	480,370	-	480,370
Restricted checking and savings accounts	106,847	-	106,847
Restricted certificates of deposit	145,025	-	145,025
Restricted investments	65,879	-	65,879
Accounts receivable	74,002	11,423	85,425
Prepaid expenses	1,292	-	1,292
Total Current Assets	1,310,902	11,453	1,322,355
Capital Assets, Net	3,938,024	18,610	3,956,634
Total Noncurrent Assets	3,938,024	18,610	3,956,634
Total Assets	5,248,926	30,063	5,278,989
Deferred Outflows			
Deferred amount on refunding of debt, net of amortization	12,786	-	12,786
Deferred amounts related to pensions	48,807	-	48,807
Total Deferred Outflows	61,593	-	61,593
Total Assets and Deferred Outflows	\$ 5,310,519	\$ 30,063	\$ 5,340,582
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities			
Accounts payable	\$ 21,573	\$ 260	\$ 21,833
Accrued interest	2,011	-	2,011
Meter deposits	48,710	-	48,710
Current maturity of long-term debt	65,000	-	65,000
Current portion of other long-term liabilities	26,820	-	26,820
Total Current Liabilities	164,114	260	164,374
Non-Current Liabilities			
Long-term debt, net of unamortized bond discounts	1,300,393	-	1,300,393
Other long-term liabilities	99,566	-	99,566
Net pension liability	153,647	-	153,647
Total Non-Current Liabilities	1,553,606	-	1,553,606
Total Liabilities	1,717,720	260	1,717,980
Deferred Inflows			
Deferred amounts related to pensions	3,899	-	3,899
Total Deferred Inflows	3,899	-	3,899
Net Position			
Net investment in capital assets	2,585,491	18,610	2,604,101
Restricted	254,955	-	254,955
Unrestricted	748,454	11,193	759,647
Total Net Position	3,588,900	29,803	3,618,703
Liabilities, Deferred Inflows, and Net Position	\$ 5,310,519	\$ 30,063	\$ 5,340,582

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds		Total
	Water & Sewer Fund	Sanitation Fund	
Operating Revenues			
Water sales	\$ 613,725	\$ -	\$ 613,725
Sewer fees	115,964	-	115,964
Tap fees and service charges	11,821	-	11,821
Sanitation fees	-	136,842	136,842
Sales and use taxes	142,262	-	142,262
ABC center	-	20,349	20,349
Other revenue	43,052	-	43,052
Total Operating Revenues	926,824	157,191	1,084,015
Operating Expenses			
Water purchases	231,778	-	231,778
Contract hauler	-	131,975	131,975
Salaries	141,532	-	141,532
Payroll taxes	10,211	-	10,211
Employee benefits	46,659	-	46,659
Professional fees	21,195	-	21,195
Operating supplies	76,416	-	76,416
Rate study	69,362	-	69,362
Recycling center expenses	-	930	930
Vehicle expense	17,891	-	17,891
Repairs and maintenance	69,237	-	69,237
Administrative expense	13,484	-	13,484
Utilities	34,446	-	34,446
Travel	2,357	-	2,357
Dues and licenses	12,213	-	12,213
Insurance	6,690	-	6,690
Bank and trustee fees	1,375	-	1,375
Depreciation	154,055	1,728	155,783
Total Operating Expenses	908,901	134,633	1,043,534
Operating Income	17,923	22,558	40,481
Other Revenues (Expenses)			
Interest income	32,102	-	32,102
Gain (loss) on asset disposal	16,550	-	16,550
FSPWA fixed and variable costs	(23,112)	-	(23,112)
Interest expense	(33,201)	-	(33,201)
Operating transfers	306,835	(24,273)	282,562
Total Other Revenues (Expenses)	299,174	(24,273)	274,901
Change In Net Position	317,097	(1,715)	315,382
Beginning of Year Net Position	3,271,803	31,518	3,303,321
End of Year Net Position	\$ 3,588,900	\$ 29,803	\$ 3,618,703

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds		Total
	Water & Sewer Fund	Sanitation Fund	
Cash Flows From Operating Activities			
Cash receipts from customers and other sources	\$ 782,969	\$ 157,129	\$ 940,098
Cash received from sales tax	142,352	-	142,352
Cash payments to suppliers for goods and services	(638,461)	(132,856)	(771,317)
Cash payments to employees for services	(141,532)	-	(141,532)
Net Cash Provided By Operating Activities	145,328	24,273	169,601
Cash Flows From Non-Capital and Related Financing Activities			
Transfers (to) / from other funds	306,835	(24,273)	282,562
Net Cash Provided (Used) From Non-Capital and Related Financing Activities	306,835	(24,273)	282,562
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(617,498)	-	(617,498)
Proceeds received from the sale of asset	16,550	-	16,550
Principal paid on debt	(65,000)	-	(65,000)
Interest paid on debt	(28,485)	-	(28,485)
FSPWA debt service	(26,820)	-	(26,820)
FSPWA fixed and variable costs	(23,112)	-	(23,112)
Net Cash Used For Capital and Related Financing Activities	(744,365)	-	(744,365)
Cash Flows From Investing Activities			
Reinvestment of certificate of deposit earnings	(142)	-	(142)
Net investment activity	279,698	-	279,698
Interest Income	32,102	-	32,102
Net Cash Provided By Investing Activities	311,658	-	311,658
Increase In Cash, Cash Equivalents and Restricted Cash	19,456	-	19,456
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	524,878	30	524,908
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 544,334	\$ 30	\$ 544,364
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	\$ 437,487	\$ 30	\$ 437,517
Restricted checking and savings accounts	106,847	-	106,847
Total Cash, Cash Equivalents and Restricted Cash	\$ 544,334	\$ 30	\$ 544,364

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2023

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating income	\$	17,923	\$	22,558	\$	40,481
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation		154,055		1,728		155,783
(Increase)/decrease in:						
Accounts receivable		1,202		(62)		1,140
Prepaid expenses		(434)		-		(434)
Deferred amounts related to pensions		3,343		-		3,343
Increase/(decrease) in:						
Accounts payable		(32,215)		49		(32,166)
Meter deposits		(2,705)		-		(2,705)
Net pension liability		3,748		-		3,748
Deferred amounts related to pensions		411		-		411
Net Cash Provided By Operating Activities	\$	145,328	\$	24,273	\$	169,601

See accompanying notes to financial statements.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

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.

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, 2023

1. Summary of Significant Accounting Policies (continued)

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.

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 fund balance. 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. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

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.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following accounting pronouncements which became effective for the City's fiscal year ended December 31, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

Implementation of these new standards did not have any impact on the City's financial statements.

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.

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."

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

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

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:

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

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

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows and Inflows of Resources (continued)

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.

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.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

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

Net Position and Fund Balances (continued)

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.

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.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

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

Net Position and Fund Balances (continued)

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.

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. Deposits with Financial Institutions

The City does not have formal deposit and investment policies, but follows state laws and bond ordinances regarding the investment of public funds.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Deposits with Financial Institutions (continued)

State statutes generally require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds maybe invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States Government.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City follows the provisions of state law which 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.

At December 31, 2023, 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, 2023	Bank Balance	Carrying Amount
Insured	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank's trust department in the City's name	1,439,296	1,368,262
Cash on hand		316
Total	\$ 1,939,296	\$ 1,868,578

Deposits as reported in the following Statement of Net Position captions:

As Of December 31, 2023	
Cash and cash equivalents	\$ 1,712,768
Restricted checking and savings accounts	155,810
Total	\$ 1,868,578

Investments

Investments consist of certificates of deposit, and accounts established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due, debt service reserves, and other accounts established with 2021 bond proceeds for construction and other cost of issuance payments. The investments are stated at fair market value which approximates cost.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Deposits with Financial Institutions (continued)

Investments (continued)

As of December 31, 2023	Market	Weighted Avg. Maturity	Credit Rating
Government Money Market			
2021 Debt Service Reserve	\$ 49,325	41 days	AAAm
2021 Bond Fund	15,953	41 days	AAAm
2021 Bond Cost of Issuance Fund	527	41 days	AAAm
2021 Bond Construction Fund	74	41 days	AAAm
Certificates of deposit	1,368,849	161 days	N/A
Total	\$ 1,434,728		

Investments as reported in the following Statement of Net Position captions:

As Of December 31, 2023		
Certificates of deposit	\$	1,223,824
Restricted certificates of deposit		145,025
Restricted investments		65,879
Total	\$	1,434,728

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 limits its exposure to interest rate risk by maximizing its yield on reserve funds not needed within a three year period.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments at December 30, 2023 are either FDIC insured, insured through the pledging of securities, or invested in securities that are issued and guaranteed by the U.S. government.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the City or by an agent of the City are in the City's name.

Fair Value Measurement

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Deposits with Financial Institutions (continued)

Investments (continued)

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the District's investments that are measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Government money market	\$ 65,879	\$ -	\$ -	65,879
Certificates of deposit	1,368,849	-	-	1,368,849
Total	\$ 1,434,728	\$ -	\$ -	1,434,728

3. Restricted Assets

The City has restricted accounts for the following:

American Rescue Plan Act grant funds - see Note 15 for eligible uses of the funds.

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.

Construction Fund - bond proceeds restricted for sewer improvements.

Cost of Issuance Fund - restricted for certain costs to issue 2021 Water and Sewer Refunding and Improvement Revenue Bonds.

Restricted cash and cash equivalent accounts of the governmental activities funds consists of the following:

As Of December 31, 2023	
Cash and cash equivalents:	
American Rescue Plan Act grant funds	\$ 48,963
Total Restricted Cash and Cash Equivalents	\$ 48,963

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

3. Restricted Assets (continued)

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

As Of December 31, 2023	
Cash and cash equivalents:	
Water and Sewer Depreciation	\$ 101,137
Meter Deposit	5,710
Total Restricted Cash and Cash Equivalents	\$ 106,847
Certificates of Deposit:	
Meter Deposit CD	\$ 55,000
Water and Sewer Depreciation CD	90,025
Total Restricted Certificates of Deposit	\$ 145,025
Investments:	
2021 Debt Service Reserve	\$ 49,325
2021 Bond Fund	15,953
2021 Bond Cost of Issuance Fund	527
2021 Bond Construction Fund	74
Total Restricted Investments	\$ 65,879

4. Accounts Receivable

Accounts receivable of governmental activities consists of the following:

As of December 31, 2023	General Fund	Street Fund	Other Govt. Funds	Total Govt. Funds
Taxes	\$ 66,988	\$ 22,579	\$ -	\$ 89,567
State turnback	4,953	16,990	-	21,943
Fines and assessments	393	-	192	585
Total	\$ 72,334	\$ 39,569	\$ 192	\$ 112,095

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

As of December 31, 2023	Water & Sewer Fund	Sanitation Funds	Total Proprietary Funds
User charges	\$ 62,364	\$ 11,422	\$ 73,786
Sales tax	11,639	-	11,639
Total	\$ 74,003	\$ 11,422	\$ 85,425

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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.

6. Capital Assets

Capital asset activity for government activities for the year ended December 31, 2023, are as follows:

	January 1, 2023	Additions	Retirements	December 31, 2023
Capital assets, not being depreciated				
Land	\$ 70,472	\$ -	\$ -	\$ 70,472
Construction in progress	67,097	179,814	171,675	75,236
Total capital assets, not being depreciated	137,569	179,814	171,675	145,708
Capital assets, being depreciated				
Buildings	1,213,332	161,660	-	1,374,992
Municipal complex and parks	310,374	-	-	310,374
Park equipment and pavilion	586,876	71,813	-	658,689
Office furniture and equipment	48,183	-	-	48,183
Equipment	730,077	35,210	-	765,287
Vehicles	313,617	59,169	36,902	335,884
Streets and improvements	3,016,213	315,716	-	3,331,929
Total capital assets, being depreciated	6,218,672	643,568	36,902	6,825,338
Total capital assets	6,356,241	823,382	208,577	6,971,046
Less accumulated depreciation:				
Buildings	481,730	46,789	-	528,519
Municipal complex and parks	207,120	10,345	-	217,465
Park equipment and pavilion	249,331	25,464	-	274,795
Office furniture and equipment	47,699	484	-	48,183
Equipment	625,101	24,080	-	649,181

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. Capital Assets (continued)

Vehicles	156,388	55,832	27,677	184,543
Streets and improvements	861,451	109,454	-	970,905
Total accumulated depreciation	2,628,820	272,448	27,677	2,873,591
Total capital assets, being depreciated, net	3,589,852	371,120	9,225	3,951,747
Governmental activities, capital assets, net	\$ 3,727,421	\$ 550,934	\$ 180,900	\$ 4,097,455

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

Administration	\$ 47,982
Police	49,174
Fire	53,572
Streets	121,720
Total depreciation for governmental activities	\$ 272,448

Capital asset activity for business-type activities for the year ended December 31, 2023, are as follows:

	January 1, 2023	Additions	Retirements	December 31, 2023
Capital assets, not being depreciated				
Land	\$ 12,886	\$ -	\$ -	\$ 12,886
Construction in progress	931,287	564,325	1,194,138	301,474
Total capital assets, not being depreciated	944,173	564,325	1,194,138	314,360
Capital assets, being depreciated				
Building	39,204	-	-	39,204
Municipal complex	70,808	-	-	70,808
Water and sewer system	4,728,963	1,247,311	-	5,976,274
Equipment	127,429	-	-	127,429
Vehicles	63,066	-	-	63,066
ABC convenience center	44,394	-	-	44,394
Total capital assets, being depreciated	5,073,864	1,247,311	-	6,321,175
Total capital assets	6,018,037	1,811,636	1,194,138	6,635,535
Less accumulated depreciation:				
Building	18,597	1,139	-	19,736
Municipal complex	49,959	2,360	-	52,319
Water and sewer system	2,266,745	131,426	-	2,398,171
Equipment	110,460	7,646	-	118,106
Vehicles	35,454	12,613	-	48,067
ABC convenience center	41,903	599	-	42,502
Total accumulated depreciation	2,523,118	155,783	-	2,678,901

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. Changes In Capital Assets (continued)

Total capital assets, being depreciated, net	2,550,746	1,091,528	-	3,642,274
Total Business-type activities, capital assets, net	\$ 3,494,919	\$ 1,655,853	\$ 1,194,138	\$ 3,956,634

Depreciation expense for business-type activities totaled \$155,783 and was entirely charged to the water and sanitation department.

Construction in progress is for the following projects:

Project	Balance at 12/31/23	Balance at 1/23/23	Estimated Total Cost	Status
Governmental Funds				
City Park parking improvements	\$ 43,318	\$ -	\$ 50,759	completed January 2024
Creek Bank	12,657	12,657	unknown	project on hold
Holt Street drainage	8,619	-	26,500	\$19,875 funded by State, completed April 2024
El Paso Street	10,642	-	unknown	project in design phase
Fire Department floor Generator project	-	44,425	161,660	completed January 2023
	-	10,015	-	transferred to Water Department
Total Governmental Funds	\$ 75,236	\$ 67,097	\$ 238,919	
Business-Activities				
Generator project	\$ 301,474	\$ -	\$ 303,146	estimated completion March 2024
Highway 96 rehab	-	931,287	1,194,138	completed August 2023
Total Business Activities	\$ 301,474	\$ 931,287	\$ 1,497,284	

7. Asset Retirement Obligation

As asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under GASB Statement No. 83, Certain Asset Retirement Obligations, 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.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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 \$389,084 at December 31, 2023.

	\$	112,073
Total		112,073
Less: current maturities		32,188
Long-term debt, net	\$	79,885

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2024	\$ 32,188	\$ 3,411	\$ 35,599
2025	33,333	2,266	35,599
2026	34,519	1,080	35,599
2027	12,033	90	12,123
Total	\$ 112,073	\$ 6,847	\$ 118,920

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

Business-Type Activities -

On August 16, 2021, the City issued \$1,500,000 Water and Sewer Refunding and Improvement Revenue Bonds. The bonds were issued for capital improvements and to refund the 2012 Water and Sewer Refunding Revenue Bonds that had an outstanding balance of \$440,000. The City defeased these bonds by placing proceeds of the new bond plus existing bond and debt service reserves totaling \$445,399 in an irrevocable trust to provide for all future debt service payments on the old bonds. The 2012 bonds were called on September 14, 2021. The bond issue extended the debt obligations of the City from 2037 to 2041.

Long-term debt consists of:

Water and Sewer Refunding and Improvement Revenue Bonds Series 2021, dated August 16, 2021, in the amount of \$1,500,000. Principal payments are made in annual installments ranging from \$65,000 in 2022 to \$90,000 in 2041. Semi-annual interest payments are made with rates varying from 0.50% to 2.25%. The bonds are secured by revenues of the system with final maturity on November 1, 2041.

	\$	1,370,000
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CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

8. Long-Term Debt (continued)

Total	1,370,000
Less: current maturities	65,000
Less: unamortized discount on 2012 Series bond	4,607
<u>Long-term debt, net</u>	<u>\$ 1,300,393</u>

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2024	\$ 65,000	\$ 24,131	\$ 89,131
2025	70,000	23,644	93,644
2026	70,000	23,119	93,119
2027	70,000	22,331	92,331
2028	70,000	21,544	91,544
2029-2033	365,000	91,706	456,706
2034-2038	400,000	55,513	455,513
2039-2041	260,000	11,812	271,812
<u>Total</u>	<u>\$ 1,370,000</u>	<u>\$ 273,800</u>	<u>\$ 1,643,800</u>

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.

9. Deferred Loss on Refunding / Bond Discount

The deferred loss on refunding incurred with the 2021 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 \$12,786 on December 31, 2023, and is reflected on the Statement of Net Position as deferred outflows. Amortization of the deferred loss totaled \$3,487 for the year ended December 31, 2023 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 \$1,256 for the year ended December 31, 2023 and is included with interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

10. Rate Covenant

The Trust Indenture of the City of Lavaca, Arkansas, Water and Sewer Refunding and Improvement Revenues Bonds - Series 2021 require the City to maintain their water rates at an amount sufficient to pay all operation, repair and maintenance expenses and leave a balance equal to 120% of the maximum

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

10. Rate Covenant (continued)

annual debt service requirements for all outstanding obligations of the water and sewer system, maintain specific restricted cash accounts and to meet various other general requirements. The City was in compliance with all such significant financial covenants and restrictions for the year ending December 31, 2023.

11. Other Long-Term Liabilities - FSPWA Interlocal Agreement

On December 29, 2009, the City entered into an Interlocal Agreement with the Franklin and Sebastian Public Water Authority (FSPWA), the RiverSouth Rural Water District, and the City of Charleston, Arkansas (user parties). All parties under the agreement desired to participate in the acquisition, construction, and equipping of a potable water transmission line, pump stations, water storage devices, and a potable connection and master meter with the waterworks system of the City of Fort Smith, Arkansas. Under the agreement, FSPWA agreed to acquire, construct, equip, operate and maintain the project and purchase and sell water to the City and user parties upon the projects completion. During the year ended December 31, 2023, the City made water purchases from FSPWA totaling \$231,778.

The agreement also states that FSPWA retains all rights, title and interest of the project. All equipment necessary to the operation and maintenance thereof shall be owned and operated by FSPWA as a water source for the City and user parties. The City and user parties agreed to construct, equip, and finance one or more master meters to connect to the project. The City and user parties also agreed to pay a share of all fixed and variable costs for the operation of FSPWA. The City's share of these costs is 35%. The City paid \$23,112 of fixed and variable costs to FSPWA during the year ended December 31, 2023.

Under a separate agreement, the City and user parties agreed to pay a portion of the principal and interest on a FSPWA loan totaling \$1,130,000. The loan bears interest at 2.75% and matures in June 2028. The City's share of the loan is 35% and the required monthly payment to FSPWA under this agreement is \$2,571. The City's portion owed on this debt was \$126,386 at December 31, 2023. The City paid \$26,820 towards principal and \$4,028 of interest on the loan during the year ended December 31, 2023.

The City's share of debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2024	\$ 27,563	\$ 3,287	\$ 30,850
2025	28,326	2,524	30,850
2026	29,111	1,739	30,850
2027	29,917	933	30,850
2028	11,469	158	11,627
Total	\$ 126,386	\$ 8,641	\$ 135,027

In addition, the City provides clerical services and operations and maintenance support for the FSPWA. During the year ended December 31, 2023, the City received \$23,532 for services provided.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

12. Activity of Long-Term Liabilities:

Activity for long term debt and other non-current liabilities for the year ended December 31, 2023 was as follows:

	January 1, 2023	Additions	Reductions	December 31, 2023	Due Within One Year
Governmental activities:					
First National Bank	\$ 143,172	\$ -	\$ 31,099	\$ 112,073	\$ 32,188
Net pension liability	346,291	275,583	-	621,874	-
Total	\$ 489,463	\$ 275,583	\$ 31,099	\$ 733,947	\$ 32,188
Business-type activities					
2021 Series Refunding					
Bonds	\$ 1,435,000	\$ -	\$ 65,000	\$ 1,370,000	\$ 65,000
FSPWA	153,206	-	26,820	126,386	27,563
Net pension liability	149,899	3,748	-	153,647	-
Total	\$ 1,738,105	\$ 3,748	\$ 91,820	\$ 1,650,033	\$ 92,563

13. Fund Balances

The following is a summary of the Governmental Fund fund balances of the City at December 31, 2023:

General Fund

Nonspendable: Prepaid items	\$ 1,962
Restricted: American Rescue Plan Act grant funds	48,963
Assigned:	
Public safety - Police	325,100
Public safety - Fire	122,040
Total Assigned	447,140
Unassigned	480,219
Total General Fund fund balance	978,284

Street Fund

Nonspendable: Prepaid items	152
Assigned: Street repair and replacement	1,007,382
Total Street Fund fund balance	1,007,534

Other Governmental Funds

Committed: Purchase of equipment, training costs, capital expenditures, equipment testing, etc.	129,803
Assigned: Payment of jail fees and other expenditures	22,130
Total Other Governmental Funds fund balance	151,933
Total Governmental fund balance	\$ 2,137,751

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

14. Interfund Transfers

Interfund transfers are used to fund operations in various accounts and transfer funding received capital projects. The composition of interfund transfers as of December 31, 2023 is as follows:

	Transfers In	Transfers Out	Net Transfers
Governmental Activities			
General Fund	\$ -	\$ 280,667	\$ (280,667)
Street Fund	-	1,895	(1,895)
Business-Type Activities			
Water & Sewer Fund	306,835	-	306,835
Sanitation Fund	-	24,273	(24,273)
Total	\$ 306,835	\$ 306,835	\$ -

15. American Rescue Plan Act Grant

The City has received a total of \$502,828 under the American Rescue Plan Act of 2021 (ARPA) enacted by Congress to provide additional funding for state and local governments. Eligible uses of the funds include the following: revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency; COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery; premium pay for essential workers; investments in water, sewer, and broadband infrastructure. The City spent a total of \$453,863 of these funds primarily on water and sewer projects and infrastructure. \$387,425 was spent during the year ended December 31, 2023. The unspent proceeds totaling \$48,963 is reflected as restricted cash and restricted net position on the Statement of Net Position as of December 31, 2023.

16. 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	\$ 262,960	\$ 475,059	\$ 37,502	\$ 775,521
Deferred outflows of resources	67,485	175,041	11,806	254,332
Deferred outflows of resources contributions	15,861	21,815	9,880	47,556
Deferred inflows of resources	6,672	53,502	5,888	66,062
Pension expense	48,882	75,281	4,586	128,749

The City had no pension contribution liabilities recorded at December 31, 2023.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

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.

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 thirteen 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, 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, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

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:

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

Benefits Provided (continued)

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 7/1/2007	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.

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.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

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. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. 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)). Employers contributed 15.32% of compensation for the APERS fiscal year ended June 30, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

Contributions (continued)

Contributions made by the City were \$31,587 during the year ended December 31, 2023.

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, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer'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 as of June 30, 2023 was 0.00902345%.

There were no changes between the measurement date of June 30, 2023 and the City's report ending date of December 31, 2023, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.00%
Wage Inflation Rate	3.25%
Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate Table	RP-2006 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

All other actuarial assumptions used in the June 30, 2023, 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.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

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 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 2023 to 2032 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current allocation as of June 30, 2023, these best estimates are summarized in the following table:

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
	<u>100%</u>	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		7.44%

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, 2023 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.86% (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, 2023

16. 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 City's net pension liability, calculated using a single discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

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	\$ 419,135	\$ 262,960	\$ 134,287

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

The City's proportionate share of pension expense was \$48,882 for the APERS plan year ended June 30, 2023. At December 31, 2023, 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	\$ 14,844	\$ 1,445
Changes in assumptions	12,362	-
Net difference between projected and actual earnings on pension plan investments	32,729	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,550	5,227
City contributions subsequent to the measurement date	15,861	-
Total	\$ 83,346	\$ 6,672

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

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

\$15,861 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, 2024, 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
2024	\$ 15,386
2025	8,800
2026	38,836
2027	(2,209)
	\$ 60,813

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. In July 2023, the employee contribution rate increased from 2.5% to 3.5% of covered payroll for policemen. The City contributed 23.5% of covered employee's salaries to the plan for policemen. The City's monthly rate per volunteer police and fire increased on January 1, 2023 from \$5.90 to \$6.00 per volunteer. The City contributed \$21,815 to the Plan during the year ended December 31, 2023. The Plan also receives state premium tax credits, which amounted to \$25,377 for the year ended December 31, 2023.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

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>.

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.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2022 and a measurement date of December 31, 2022.

There were no changes between the measurement date of December 31, 2022 and the City's report ending date of December 31, 2023, 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	14.0 years beginning January 1, 2022 (Paid Service) 13.0 years beginning January 1, 2022 (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

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

Actuarial Assumptions (continued)

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

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 were based upon capital market assumptions collected from several national investment consultants as of December 31, 2021. The average arithmetic nominal expected return based on these assumptions is 6.23%. Preliminary analysis of these assumptions gathered for 2023 indicates that nominal returns will be higher than the prior year. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

<u>Asset Class</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>
U.S. Stock - Large Cap	21%	4.05%	0.85%
U.S. Stock - Small Cap	21%	4.65%	0.98%
International Equity	9%	5.27%	0.47%
Emerging Markets	9%	7.49%	0.67%
U.S. Corporate Bonds	25%	-0.35%	-0.09%
Real Estate	5%	3.76%	0.19%
Private Equity	10%	9.10%	0.91%
Total	<u>100%</u>		<u>3.98%</u>
Expected Inflation			<u>2.25%</u>
Total Return			<u>6.23%</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).

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

Single Discount Rate (continued)

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 4.05% (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 7.25%.

The single discount rate of 7.25% 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 7.25%. 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 City's net pension liability, calculated using a single discount rate of 7.25%, as well as what the City'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:

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 706,465	\$ 475,059	\$ 288,386

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

The City's proportionate share of pension expense was \$75,281 for the year ended December 31, 2023. At December 31, 2023, 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	\$ 40,652	\$ 85
Changes in assumptions	3,700	39,122
Net difference between projected and actual earnings on pension plan investments	112,301	-
Change in proportion	18,388	14,295
City contributions subsequent to the measurement date	21,815	-
Total	\$ 196,856	\$ 53,502

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

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

\$21,815 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, 2024, 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 in Pension Expense
2024	\$ 11,309
2025	24,572
2026	32,774
2027	52,884
	\$ 121,539

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 assets of the Old Plan are included in the pooled assets of the LOPFI system and a financial report that includes disclosures about the elements of the basic financial statements is available on the LOPFI's website at www.lopfi-prb.com

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. At normal retirement age, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to five years. All fireman hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and detailed in this footnote. Therefore, the Plan is effectively closed to new members.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

Benefits Provided (continued)

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the FRPF became eligible for membership as of their first day of employment. Members of the FRPF who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant's annual salary. Employees become vested after 20 years of service. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary.

At the December 31, 2022 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 contributes a flat rate per month to the Plan which increased from \$758 to \$976 on January 1, 2023. During the year ended December 31, 2023, the City contributed \$9,880 to the Plan. The Plan also receives a state insurance turnback on an annual basis, which amounted to \$2,748 for the year ended December 31, 2023.

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, 2022 and a measurement date of December 31, 2022.

There were no changes between the measurement date of December 31, 2022 and the City's report ending date of December 31, 2023, that would have had a significant impact on the net pension liability.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. 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	5 years beginning January 1, 2022
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.50%
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 were based upon capital market assumptions collected from several national investment consultants as of December 31, 2021. The average arithmetic nominal expected return based on these assumptions is 6.23%. Preliminary analysis of these assumptions gathered for 2023 indicates that nominal returns will be higher than the prior year. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

Investment Rate of Return (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation Weighted Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.05%	0.85%
U.S. Stock - Small Cap	21%	4.65%	0.98%
International Equity	9%	5.27%	0.47%
Emerging Markets	9%	7.49%	0.67%
U.S. Corporate Bonds	25%	-0.35%	-0.09%
Real Estate	5%	3.76%	0.19%
Private Equity	10%	9.10%	0.91%
Total	100%		3.98%
Expected Inflation			2.25%
Total Return			6.23%

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 7.25%, the municipal bond rate is 4.05% (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 7.25%

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 City's net pension liability, calculated using a single discount rate of 7.00%, as well as what the City'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:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 44,922	\$ 37,502	\$ 30,911

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

16. Retirement Plans (continued)

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

The City's pension expense was \$4,586 for the year ended December 31, 2023. At December 31, 2023, 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	\$ 11,806	\$ 5,888
City contributions subsequent to the measurement date	9,880	-
Total	\$ 21,686	\$ 5,888

\$9,880 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, 2024, 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 in Pension Expense
2024	\$ 1
2025	1,152
2026	1,815
2027	2,950
	\$ 5,918

17. 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.

18. 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.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

19. 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 to mitigate the risk of loss.

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.

20. Related Party Transactions

The City conducts business with a company owned by a relative of one of the City's employees. The services performed include water leak repairs, sewer line repairs, water taps, road crossing and other miscellaneous services. The total amount paid by the City this company totaled \$22,360 for the year ended December 31, 2023.

21. Subsequent Events

The City has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through February 26, 2024, 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, 2023

	Budgeted Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues				
Property and real estate taxes	\$ 135,000	\$ 135,000	\$ 151,562	\$ 16,562
State turnbacks	38,000	38,000	64,545	26,545
Franchise tax	99,500	99,500	131,576	32,076
Sales and use taxes	413,000	413,000	453,903	40,903
Grants	5,383	5,383	9,183	3,800
Fire Act 833	-	-	14,889	14,889
Licenses and permits	2,500	2,500	2,521	21
Court fines	11,000	11,000	14,945	3,945
Interest	100	100	4,270	4,170
Other income	-	-	3,604	3,604
Total Revenues	704,483	704,483	850,998	146,515
Expenditures				
Administration	219,028	219,411	285,884	66,473
Police	289,360	294,360	310,145	15,785
Fire	56,499	56,499	72,464	15,965
Debt service	35,600	35,600	35,599	(1)
Capital outlays	103,996	103,996	316,728	212,732
Total Expenditures	704,483	709,866	1,020,820	310,954
Excess of Revenues Over (Under) Expenditures	-	(5,383)	(169,822)	(164,439)
Other Financing Sources				
Operating transfers in (out)	-	-	(280,667)	(280,667)
Total Other Financing Sources	-	-	(280,667)	(280,667)
Change in Fund Balance	-	(5,383)	(450,489)	(445,106)
Fund Balance at Beginning of Year	1,428,773	1,428,773	1,428,773	-
Fund Balance at End of Year	\$ 1,428,773	\$ 1,423,390	\$ 978,284	\$ (445,106)

Effects of:

Capital assets, net	\$ 1,520,498
Deferred outflows related to pension	236,241
Long-term debt including accrued interest	(112,320)
Deferred inflows related to pensions	(60,809)
Net pension liability	(568,519)
Fund Balance at End of Year - GAAP basis	\$ 1,993,375

See independent auditor's report.

CITY OF LAVACA, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues				
State turnbacks	\$ 196,000	\$ 196,000	\$ 205,952	\$ 9,952
Sales and use taxes	75,000	75,000	81,271	6,271
Grants	-	-	213,840	213,840
County road	81,000	81,000	91,038	10,038
Interest	500	500	20,670	20,170
Total Revenues	352,500	352,500	612,771	260,271
Expenditures				
Streets	352,500	352,500	205,717	(146,783)
Capital outlays	-	-	334,979	334,979
Total Expenditures	352,500	352,500	540,696	188,196
Excess of Revenues Over (Under) Expenditures	-	-	72,075	72,075
Other Financing Sources				
Operating transfers in (out)	-	-	(1,895)	(1,895)
Total Other Financing Sources	-	-	(1,895)	(1,895)
Change in Fund Balance	-	-	70,180	72,075
Fund Balance at Beginning of Year	937,354	937,354	937,354	-
Fund Balance at End of Year	\$ 937,354	\$ 937,354	\$ 1,007,534	\$ 72,075

Effects of:

Capital assets, net	\$ 2,454,420
Deferred outflows related to pension	16,840
Deferred inflows related to pensions	(1,354)
Net pension liability	<u>(53,355)</u>
Fund Balance at End of Year - GAAP basis	<u>\$ 3,424,085</u>

See independent auditor's report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEMS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<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	0.00902345%	0.00927472%	0.00854208%	0.00876454%	0.00850230%	0.00847094%	0.00860168%	0.00811826%	0.00915271%	0.00954499%
City's proportionate share of the net pension liability	\$ 262,960	\$ 250,082	\$ 65,674	\$ 250,980	\$ 205,120	\$ 186,863	\$ 222,279	\$ 194,136	\$ 162,388	\$ 135,435
City's covered-employee payroll	\$ 204,358	\$ 189,506	\$ 173,803	\$ 167,820	\$ 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	128.68%	131.97%	37.79%	149.55%	126.10%	117.77%	143.37%	131.98%	101.70%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Required Contributions

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<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	\$ 31,308	\$ 29,032	\$ 26,627	\$ 25,704	\$ 24,926	\$ 23,404	\$ 22,479	\$ 21,328	\$ 23,969	\$ 25,111
Contributions in relation to the contractually required contribution	(31,308)	(29,032)	(26,627)	(25,704)	(24,926)	(23,404)	(22,479)	(21,328)	(23,969)	(25,111)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 204,358	\$ 189,506	\$ 173,803	\$ 167,820	\$ 162,668	\$ 158,669	\$ 155,036	\$ 147,090	\$ 159,673	\$ 168,760
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%	15.01%	14.88%

See independent auditor's report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEMS

FOR THE YEAR ENDED DECEMBER 31, 2023

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. Changes in benefits: None: June 30, 2014 through June 30, 2020
June 30, 2021 valuation
- Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021
 - Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022
 - For members hired on or after July 1, 2022:
 - Change the final average compensation period from 3 to 5 years
 - COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index
- None: June 30, 2022 through June 30, 2023

2. Changes in actuarial assumptions:

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Single Discount Rate	7.00%	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
Source: 20-Bond GO Index										
Remaining Amortization Period	23 Years	25 Years	26 Years	26 Years	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%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	Based on RP-2006 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-2006 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-2006 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-2006 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-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 auditor's 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, 2023

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

	December 31, 2022	December 31, 2021	December 31, 2020	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	0.03179%	0.03019%	0.03176%	0.03272%	0.02821%	0.03804%	0.03874%	0.04143%	0.04120%
Volunteer Police	0.06572%	0.04139%	0.05102%	0.06536%	0.05527%	0.06713%	0.08212%	0.06917%	0.06986%
Volunteer Fire	0.17850%	0.19655%	0.17174%	0.17347%	0.18767%	0.18963%	0.19136%	0.22949%	0.23632%
City's proportionate share of the net pension liability									
Police	\$ 339,401	\$ 152,550	\$ 218,375	\$ 252,865	\$ 254,585	\$ 270,341	\$ 221,037	\$ 217,395	\$ 149,156
Volunteer Police	36,508	10,911	18,155	27,451	27,956	28,636	30,411	25,436	22,317
Volunteer Fire	99,150	51,810	61,110	72,857	94,928	80,894	70,869	84,387	75,497
City's covered-employee payroll	\$ 131,179	\$ 117,001	\$ 119,551	\$ 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	258.73%	130.38%	182.66%	217.60%	271.58%	228.47%	189.98%	181.78%	117.59%
Plan fiduciary net position as a percentage of the total pension liability	69.07%	84.67%	77.68%	73.03%	65.84%	71.17%	72.46%	72.41%	79.06%

Schedule of Required Contributions

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution *									
Police	\$ 30,827	\$ 27,495	\$ 28,094	\$ 27,308	\$ 22,029	\$ 27,215	\$ 25,597	\$ 25,725	\$ 25,450
Volunteer Police	9,310	2,218	2,773	3,481	2,737	3,231	3,793	3,222	3,241
Volunteer Fire	3,428	10,532	9,334	9,239	9,294	9,127	8,839	10,691	10,965
Contributions in relation to the contractually required contribution	(43,565)	(40,245)	(40,201)	(40,028)	(34,060)	(39,573)	(38,229)	(39,638)	(39,656)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 131,179	\$ 117,001	\$ 119,551	\$ 116,206	\$ 93,741	\$ 118,326	\$ 116,348	\$ 119,595	\$ 126,845
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	23.50%	23.50%	23.00%	22.00%	21.51%	20.06%

* Includes contributions reported as Premium Tax money

See independent auditor's 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, 2023

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
 None: December 31, 2014 through December 31, 2019
 December 31, 2020 valuation (Paid Service):
 • Act 72 of 2021 related to duty disability benefits
 • Act 374 of 2021 related to reciprocal service and final average pay
 • Act 344 of 2021 related to return to service for retirees
 None: December 31, 2021 through 2022

3. Changes in actuarial assumptions:	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Single Discount Rate	7.25%	7.00%	7.00%	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%	7.75%	7.75%	8.00%	7.75%	8.00%
Long-Term Investment Rate of Return	7.25%	7.00%	7.00%	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Municipal Bond Rate	4.05%	1.84%	2.00%	2.75%	3.71%	3.31%	3.78%	3.57%	3.56%
Remaining Amortization Method									
Paid Service	14.0 years	16.0 years	16.0 years	17.0 years	16.8 years	17 years	16.8 years	18.8 years	17.3 years
Unpaid Service	13.0 years	17.0 years	17.0 years	16.0 years	18.5 years	16 years	18.5 years	21.2 years	9 years
Price Inflation	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	2.75%	3.00%
Wage Inflation - Paid Service	3.25%	3.25%	3.25%	3.25%	3.75%	3.75%	4.00%	3.75%	4.00%
Salary Increases - Paid Service (including inflation)	3.75% to 18.25%	3.75% to 18.25%	3.75% to 18.25%	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-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-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-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 auditor's 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, 2023

	December 31, 2022	December 31, 2021	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	6,509	6,066	6,207	6,346	6,490	7,042	7,174	7,394	7,530
Benefit changes due to plan amendments	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	3,445	12,245	3,847	3,687	3,322	3,236	3,229	2,843	2,546
Changes of assumptions	(1,772)	134	-	-	-	3,474	-	1,918	-
Benefit payments, including refunds of employee contributions	(12,138)	(12,091)	(12,045)	(12,000)	(11,754)	(12,048)	(12,144)	(11,880)	(11,682)
Net change in total pension liability	(3,956)	6,354	(1,991)	(1,967)	(1,942)	1,704	(1,741)	275	(1,606)
Total pension liability - beginning	99,052	92,698	94,689	96,656	98,598	96,894	98,635	98,360	99,966
Total pension liability - ending	\$ 95,096	\$ 99,052	\$ 92,698	\$ 94,689	\$ 96,656	\$ 98,598	\$ 96,894	\$ 98,635	\$ 98,360
Plan Net Fiduciary Position									
Contributions - employer *	\$ 11,588	\$ 9,997	\$ 9,046	\$ 7,906	\$ 7,320	\$ 7,130	\$ 5,706	\$ 7,489	\$ 6,731
Contributions - employee	-	-	-	-	-	-	-	-	-
Net investment income	(10,005)	9,839	7,174	9,204	(1,576)	7,384	3,281	112	4,473
Benefit payments, including refunds of employee contributions	(12,138)	(12,091)	(12,045)	(12,000)	(11,754)	(12,048)	(12,144)	(11,880)	(11,682)
Administrative	(66)	(82)	(89)	(81)	(105)	(95)	(720)	(590)	(106)
Net change in plan net fiduciary position	(10,621)	7,663	4,086	5,029	(6,115)	2,371	(3,877)	(4,869)	(584)
Plan net fiduciary position - beginning	68,215	60,552	56,466	51,437	57,552	55,181	59,058	63,927	64,511
Plan net fiduciary position - ending	\$ 57,594	\$ 68,215	\$ 60,552	\$ 56,466	\$ 51,437	\$ 57,552	\$ 55,181	\$ 59,058	\$ 63,927
Net pension liability - ending	\$ 37,502	\$ 30,837	\$ 32,146	\$ 38,223	\$ 45,219	\$ 41,046	\$ 41,713	\$ 39,577	\$ 34,433
Plan net fiduciary position as percentage of total pension liability	60.56%	68.87%	65.32%	59.63%	53.22%	58.37%	56.95%	59.88%	64.99%
Covered employee payroll	N/A								
Net pension liability position as percentage of covered employee payroll	N/A								

* Includes assets reported as Premium Tax money

See independent auditor's report.

CITY OF LAVACA, ARKANSAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Contractually required contribution *	\$ 11,588	\$ 9,997	\$ 9,046	\$ 7,906	\$ 7,320	\$ 7,130	\$ 5,706	\$ 7,489	\$ 6,731
Contributions in relation to the contractually required contribution	(11,588)	(9,997)	(9,046)	(7,906)	(7,320)	(7,130)	(5,706)	(7,489)	(6,731)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	N/A								
Contributions as a percentage of covered-employee payroll	N/A								

* Includes contributions reported as Premium Tax money

See independent auditor's 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, 2023

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, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Single Discount Rate	7.25%	7.00%	7.00%	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%	7.75%	7.75%	8.00%	7.75%	8.00%
Long-Term Investment Expected Rate of Return	7.25%	7.00%	7.00%	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Municipal Bond Rate	4.05%	1.84%	2.00%	2.75%	3.71%	3.31%	3.78%	3.57%	3.56%
Remaining Amortization Method	5 years	5 years	5 years	6 years	7 years	8 years	7 years	8 years	9 years
Price Inflation	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	2.75%	3.00%
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-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-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-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 auditor's report.

ADDITIONAL REPORTS



**Independent Auditor's 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, 2023, 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 February 26, 2024, which was modified to reflect the omission of the management's discussion and analysis.

Report on 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.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lavaca, Arkansas' 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
February 26, 2024



Independent Auditor's Report On Compliance With Arkansas State Requirements

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

We have examined management's assertions that the City of Lavaca, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2023.

1. Arkansas Municipal Accounting Law, § 14-59-101 et. seq;
2. Arkansas District Courts and City Courts Accounting Law, §16-10-210 et. seq;
3. Improvement contracts, §§ 22-9-02 – 22-9-204;
4. Budgets, purchases, and payment of claims, etc. § 14-58-201 et seq. and 14-58-301 et seq.;
5. Investment of public funds, § 19-1-501 et seq.; and
6. Deposit of public funds, §§ 19-8-101 – 19-8-107

Management is responsible for its compliance with the aforementioned Act and State Statutes. Our responsibility is to express an opinion on management's assertion based on our examination.

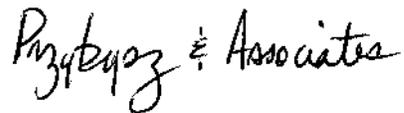
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the requirements mentioned above, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

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Fort Smith, Arkansas 72901
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www.selectcpa.com

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the City of Lavaca, Arkansas, complied with the aforementioned requirements during the year ended December 31, 2023, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Mayor, City Council, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 26, 2024