

Association of Arkansas Counties

**Financial Statements
and
Supplementary Information
December 31, 2024**

(With Independent Auditor's Report Theron)

Association of Arkansas Counties

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities, and Net Position – Modified Cash Basis	5
Statement of Revenues, Expenditures, and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
History of the Organization and Comments	17
Schedule of Revenues, Expenditures, and Changes in Net Position – Modified Cash Basis Actual to Budget	19
Schedule of Cash and Investments	21
Schedule of Members' Dues by County	22



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association of Arkansas Counties
Little Rock, Arkansas

Opinion

We have audited the accompanying modified cash basis financial statements of Association of Arkansas Counties, which consist of the statement of assets, liabilities, and net position – modified cash basis as of December 31, 2024, and the statement of revenues, expenditures, and changes in net position – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of Association of Arkansas Counties as of December 31, 2024, and the changes in its modified cash basis net position for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Association of Arkansas Counties 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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.

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 Association of Arkansas Counties' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Association of Arkansas Counties

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 opinion. 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 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, including omissions, 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, 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 Association of Arkansas Counties' 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of Arkansas Counties' 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The accompanying financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

To the Board of Directors
Association of Arkansas Counties

Emphasis of Matter – Other

The financial statements referred to above include only those balances and transactions that are directly attributable to the Association of Arkansas Counties. They do not include any balances or transactions attributable to the benefit programs and certain other funds administered by the Association of Arkansas Counties, which are identified in Note 1 to the financial statements. The Association of Arkansas Counties issues separate financial statements for each of the benefit programs but does not issue complete reporting entity financial statements that present the Association of Arkansas Counties and all of the benefit programs or other funds under its administration. Because of this omission of the benefit programs and certain other funds, the accompanying financial statements do not purport to, and do not, present fairly the modified cash basis financial position of the complete reporting entity of the Association of Arkansas Counties as of December 31, 2024, or the respective changes in the Association of Arkansas Counties' modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
October 16, 2025

Financial Statements

Association of Arkansas Counties

Statement of Assets, Liabilities, and Net Position – Modified Cash Basis December 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,782,632
Investments	9,684,992
Total Current Assets	<u>14,467,624</u>

Property and Equipment, Net

4,296,799

TOTAL ASSETS

\$ 18,764,423

LIABILITIES AND NET ASSETS

Current Liabilities

Due to related party	\$ 31,490
Withheld payables	1,752
Total Current Liabilities	<u>33,242</u>

Net Position

Net investment in capital assets	4,296,799
Unrestricted	14,434,382
Total Net Position	<u>18,731,181</u>

TOTAL LIABILITIES AND NET POSITION

\$ 18,764,423

See accompanying notes to financial statements.

Association of Arkansas Counties

Statement of Revenues, Expenditures, and Changes in Net Position – Modified Cash Basis For the Year Ended December 31, 2024

OPERATING REVENUES	
Membership dues	\$ 210,949
Service fees - benefit programs	5,342,314
Legal staff reimbursements	1,268,891
Conventions and conferences	269,730
ArkTRECS	189,938
Publications	36,370
TOTAL OPERATING REVENUES	7,318,192
OPERATING EXPENDITURES	
Salaries and employee benefits	4,876,942
Conventions and conferences	403,194
Service fees	261,783
Publications	47,326
Occupancy	195,518
Supplies	48,009
Postage	20,864
Dues and donations	95,010
Depreciation and amortization	180,399
Professional services	68,860
Membership and Legislative	162,333
Auto	22,793
Travel	142,951
ArkTRECS	271,342
ARORP	317,976
Other	104,264
TOTAL OPERATING EXPENDITURES	7,219,564
Net Operating Income	98,628
NONOPERATING REVENUES AND (EXPENDITURES)	
Interest	484,089
Net appreciation (depreciation) in the fair value of investments	(247,891)
Lease income, net	80,764
Other	9,322
Opioid litigation	808,895
TOTAL NONOPERATING REVENUES (EXPENDITURES)	1,135,179
Increase in Net Position	1,233,807
NET POSITION, BEGINNING OF YEAR	17,497,374
NET POSITION, END OF YEAR	\$ 18,731,181

See accompanying notes to financial statements.

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 1: NATURE OF OPERATIONS

Organization

The Association of Arkansas Counties (the Association) was incorporated on April 10, 1968, under the provisions of the Arkansas Nonprofit Corporation Act. The stated purpose and aim of the Association are to aid in the improvement of county government in the state of Arkansas.

The Association has established two trusts, the Workers' Compensation Trust and the Risk Management Fund, for the purpose of administering two benefit programs (see History of the Organization and Comments). The Association's primary source of revenue is administrative service fees from these Trusts.

Due to the nature and significance of the Association's relationship with the benefit programs, they meet the criteria for inclusion in the financial reporting entity of the Association, as set forth in governmental accounting standards. However, balances and activities attributable to the benefit programs are not included in these financial statements, as management has elected to present only the balances and activities of the Association rather than the complete financial reporting entity. The following summarizes the aggregate totals of assets, liabilities, net position, revenues, and expenditures of the benefit programs as of and for the year ended December 31, 2024:

Total assets	\$ 60,398,411
Total liabilities	\$ 27,064,910
Total net position	\$ 33,333,501
Total revenues	\$ 31,774,440
Total expenditures	\$ 35,364,720

Information about the benefit programs or copies of their separate audited financial statements may be obtained by contacting the Association of Arkansas Counties, 1415 West Third Street Little Rock, AR 72201.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The Association is operated as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that the costs of providing goods or services are financed or recovered primarily through user charges.

The measurement focus of an enterprise fund is usually an economic resources measurement focus, the objectives of which are the determination of operating income, changes in financial position, and cash flows. Under an economic resources measurement focus, all assets and liabilities (whether current or noncurrent, financial or nonfinancial) are reported. However, as explained in the paragraph that follows, certain modifications to the economic resources measurement focus result from the basis of accounting utilized by the Association.

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Transactions of the Association are recorded in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, assets, liabilities, revenues and expenditures are recognized when cash is received or paid. Therefore, these financial statements do not report amounts receivable for annual fees due from participating counties or investment income earned but not received. In addition, these financial statements do not reflect liabilities or expenditures for goods or services received before year end for which payment has not yet been made. Generally, non-cash transactions are not reported. However, there are certain exceptions related to depreciation and amortization of the Association's property and equipment, and adjustments for the fair value of investments.

Basis of Presentation

Net position is categorized into net investment in capital assets, restricted, and unrestricted, as applicable. AS of December 31, 2024, there were no restrictions on the net position of the Association.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statement of revenues, expenditures, and changes in net position – modified cash basis. Operating revenues consist of cash receipts derived from providing member services and administering the benefit programs. Operating expenditures include disbursements for costs incurred in providing member services and administering the benefit programs and depreciation and amortization expense on property and equipment used by the Association and the benefit programs. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing, rental, and other activities.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and/or cash equivalents.

Investments

The Association holds investments in highly rated government-sponsored enterprise securities and municipal bonds. These investments are measured at fair value and categorized according to a hierarchy that is based on valuation inputs used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable.

Purchases and sales of investments are reported on a trade-date basis. Realized gains and losses resulting from investment sales, as well as unrealized gains and losses resulting from changes in the fair values of investments held, are reported as "net appreciation (depreciation) in the fair value of investments" on the statement of revenues, expenditures, and changes in net position – modified cash basis. Interest income is recorded as it is received.

Association of Arkansas Counties

Notes to Financial Statements

December 31, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment, Net

Property and equipment are stated at cost and are depreciated on a straight-line basis over estimated useful lives of five to thirty years. Renewals and improvements, which materially increase the useful lives of property and equipment, are capitalized. Maintenance and repairs are charged to operations as incurred. Gains or losses on dispositions of property and equipment are reflected in earnings when realized.

Membership Dues

Membership dues are billed annually and are based upon rates provided by Arkansas law. If the Quorum Court of the county authorizes participation in the Association, current law stipulates that one percent of the general revenues received by that county, from the County Aid Fund in the State Treasury during the preceding year, will be appropriated as dues to the Association. Participation in the Association is optional.

Service Fees – Benefit Programs

The Association receives a service fee from the benefit programs to cover administrative and operating costs. The service fee is negotiated annually as part of a third-party administrator agreement with the benefit programs. The rate for the year ended December 31, 2024, was 18% of fees billed by the benefit programs.

Income Taxes

The Association received a private letter ruling from the Internal Revenue Service (IRS) dated March 22, 1995, determining that all income of the Association is excludable from gross income under Internal Revenue Code (IRC) §115. For IRC §115 to apply the entity must meet a two-fold test for exclusion; 1.) the entity must exercise an essential governmental function and 2.) all income from the entity must accrue exclusively to political subdivisions. Relying on the private letter ruling management has determined no income tax liability is necessary and therefore none is reflected in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3: CASH AND CASH EQUIVALENTS

The Association's cash deposits are categorized to give an indication of the level of risk assumed by the Association at December 31, 2024. The categories are described as follows:

Category 1 – Insured and collateralized with securities held by the entity or by its agent in the entity's name.

Category 2– Collateralized with securities held by the pledging financial institution's trust department or its agent in the entity's name.

Category 3 – Uncollateralized.

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Description	Institution Balance	Category			Carrying Amount
		1	2	3	
December 31, 2024					
Total Cash Deposits	\$ 4,782,632	\$ 250,000	\$ 4,532,632	\$ -	\$ 4,782,632

The Association's cash balances fluctuate during the year and at times exceed the \$250,000 federally insured limit. As of December 31, 2024, there were no cash deposits which were not insured or collateralized.

NOTE 4: INVESTMENTS

Investments in government-sponsored enterprise securities and municipal bonds held as of December 31, 2024, had interest rates ranging from 2% to 6.05%. These investments are reported at their estimated fair values.

The following table summarizes the Association's investments measured at fair value as of December 31, 2024, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value	Fair Value Using		
		Level 1	Level 2	Level 3
December 31, 2024				
Government securities and municipal bonds	\$ 9,684,992	\$ -	\$ 9,684,992	\$ -

The Board of Trustees has set forth specific investment requirements in an Investment Policy Statement (the Investment Policy). Investment securities are exposed to various risks, such as interest rate risk, credit risk, risks associated with industry or issuer concentrations, risks associated with custodial arrangements, and market risk, as described below.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt security. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Investment Policy does not specifically limit investment maturities as a means of managing exposure to risk of decline in fair value in an increasing interest rate environment. Weighted average maturity is a measure of interest rate risk. Weighted average maturity is the weighted average amount of time until the securities in a debt portfolio mature, taking into consideration the possibility that the issuer may call a bond before its maturity date. In general, the longer the weighted average maturity, the more the fair value of a portfolio of debt securities will fluctuate in response to changes in interest rates. The investment policy for the Association allows longer terms of securities when the intent is to hold to maturity.

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 4: INVESTMENTS (Continued)

At December 31, 2024, the remaining maturities and weighted average maturities of government-sponsored enterprise securities and municipal bonds held in the Association's investment portfolio are as follows:

Description	Remaining Maturity (in Years)				Total	Weighted Average Maturity (Years)
	Less than 1	1 to 5	6 to 10	More than 10		
Government- sponsored entity securities and municipal bonds	\$ -	\$ 1,408,561	\$ 796,408	\$ 7,480,023	\$ 9,684,992	15

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the Investment Policy, exposure to credit risk is managed by limiting debt securities to those rated as investment grade, as defined by a reputable firm. This requirement must be maintained until maturity or sale. At December 31, 2024, the Association's investments in government-sponsored enterprise securities and municipal bonds carried ratings by Moody's Investor Service of A2 and above.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. With the exception of direct or guaranteed obligations of the U.S. Government and U.S. agencies or municipal bonds, the Investment Policy limits the amount of investments in a single issuer to 5% of the market value of the total fixed income portfolio. As of December 31, 2024, all of the Association's holdings were invested in government-sponsored entities or municipal bonds.

Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the Association will not be able to recover the value of its investments that are in the possession of an outside party. The Association has no formal policy that limits exposure to custodial credit risk. All investments are held by an agent of the Association in the name of the Association.

NOTE 5: PROPERTY AND EQUIPMENT, NET

A summary of property and equipment balances and changes therein for the year ended December 31, 2024 are as follows:

	Balance 12/31/2023	Additions	Disposals	Balance 12/31/2024
Land	\$ 1,074,784	\$ -	\$ -	\$ 1,074,784
Furniture and equipment	216,686	-	-	216,686
Buildings and improvements	4,101,598	106,308	-	4,207,906
Vehicles	76,885	-	-	76,885
Website and technology	501,640	25,568	-	527,208
Construction in progress	14,320	1,266,544	-	1,280,864
Accumulated depreciation and amortization	(2,907,135)	(180,399)	-	(3,087,534)
Total Property and Equipment, Net	<u>\$ 3,078,778</u>	<u>\$ 1,218,021</u>	<u>\$ -</u>	<u>\$ 4,296,799</u>

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 5: PROPERTY AND EQUIPMENT, NET (Continued)

The Association is constructing a new office building that will accommodate the Association's growing operations. During the year ended December 31, 2024, the Association paid \$1,266,544 in costs related to the project. At December 31, 2024 construction had not yet commenced.

The project is expected to start in late 2025 and to be completed in twelve to eighteen months. Upon completion the total costs paid will be reclassified to the buildings and improvements category. The Association is funding the project with the Association's current surplus of net position.

NOTE 6: DEFERRED COMPENSATION PLAN

Full-time employees of the Association are eligible to contribute to a 457 deferred compensation plan administered by Nationwide Retirement Solutions. Pursuant to §457 of the Internal Revenue Code, a custodial account has been established for the exclusive benefit of the plan's participants and beneficiaries; therefore, plan assets and liabilities are not a part of the financial statements. The Association does not match or contribute to this plan.

NOTE 7: RETIREMENT PLAN

Plan Description

Employees of the Association that meet certain eligibility requirements participate in the Arkansas Public Employee Retirement System (APERS), which is a cost-sharing multiple-employer defined benefit plan created by the Arkansas Legislature. APERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Plan participants are fully vested in benefits provided under APERS upon reaching five years of services. Benefits, which are established and amended by state statute, are calculated on the basis of age, final average salary, years of service and a benefit factor. An annual stand-alone financial report for APERS may be obtained by mailing a written request to 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling 501-682-7800 or 800-682-7377.

Although reporting the Association's total pension liability and certain disclosures related to actuarial calculations for determining the total pension liability are not relevant to modified cash basis financial statements, required disclosures related to the description of the plan, types of benefits provided, funding policy, contribution requirements and rates, and actual cash contributions are applicable to the modified cash basis of accounting and are provided in the paragraphs that follow.

Measurement Date Difference

APERS reports on a fiscal year ending June 30, while the Association reports on a calendar year ending December 31. Accordingly, the information presented for the Plan, including the Association's proportionate share of the collective pension liability and related amounts, is measured as of June 30, 2024, which is the most recent date for which audited plan information was available.

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 7: RETIREMENT PLAN (Continued)

Contributions

Plan participants hired after July 1, 2005, are required to contribute 5% percent of their annual covered salary and beginning July 1, 2022, the member contribution rate will increase in increments of .25% per year until it reaches a maximum of 7%. The Association is required to contribute a percent of covered salary at an actuarially determined rate, as approved by the APERS Board of Trustees. The employer contribution rate was 15.32% for the year ended December 31, 2024. Contribution requirements are set forth in state statute. The Association's total contributions for the Plan year ended June 30, 2024, for all covered employees was \$570,214, which was equal to required contribution.

Net Pension Liability

The Plan determines the total collective net pension liability and the portion attributable to each participating employer on June 30 of each year (the actuarial valuation date and the measurement date). The Association's proportionate share of the total collective net pension liability of all employers participating in APERS was \$4,076,617 at June 30, 2024.

NOTE 8: OPERATING LEASES

The Association owns commercial property that is currently being leased as follows:

310 South Victory Street. On September 15, 2017, the Association entered into a three-year lease agreement with lease payments escalating each year according to the following scale: Year 1 - \$2,825 monthly; Year 2 - \$2,880 monthly; and Year 3 - \$2,940 monthly. This lease expired in September of 2020 and is currently on a month-to-month basis. Lease payments received on this property totaled \$35,460 for the year ended December 31, 2024.

Acme Building. The Association entered a five-year lease beginning in October 2017 with lease payments escalating according to the following scale: Year 1 - \$1,855 monthly; Year 2 - \$1,890 monthly; Year 3 - \$1,930 monthly; Year 4 - \$1,970 monthly; and Year 5 - \$2,010 monthly. This lease expired in October 2022 and is currently on a month-to-month basis. Lease payments received on this property totaled \$24,120 for the year ended December 31, 2024.

Association of Arkansas Counties Building. The Association entered a three-year lease for certain office space with the Arkansas Sheriff's Association (ASA), beginning in September 2014, with lease payments of \$2,000 per month. This lease expired in September 2017 and is currently on a month-to-month basis. Due to the COVID-19 Coronavirus pandemic, the Association granted lease payment relief to ASA and reduced the monthly lease payment to \$1,750 and has not yet increased the lease payment back to pre-pandemic levels. Lease payments received on this property totaled \$21,000 for the year ended December 31, 2024.

Association of Arkansas Counties

Notes to Financial Statements December 31, 2024

NOTE 9: DESIGNATED NET POSITION FOR CAPITAL IMPROVEMENTS

During the year ended December 31, 2024, the Association's Board approved a designation of \$500,000 of the Association's unrestricted net position for future capital improvements. The designation represents management's and the Board's intent to use these resources for future growth of the Association.

This designation does not constitute a restriction enforceable by external parties and may be modified or removed by formal action of the Board. At December 31, 2024, unrestricted net position totaled \$14,434,382, of which \$5,701,055 is designated for capital improvements and \$8,733,327 remains undesignated and available for general operating purposes. No amounts were expended from the designated net position during the year ended December 31, 2024.

NOTE 10: SERVICE FEES – BENEFIT PROGRAMS

The Association serves as the administrator for Association of Arkansas Counties Workers' Compensation Trust (WCT) and Association of Arkansas Counties Risk Management Fund (RMF). The Association services all claims filed, and provides loss prevention services, administrative services, and marketing assistance for a negotiated fee, determined annually. These fees are estimated for the year and paid monthly. An annual settlement occurs at the end of each year.

For the year ended December 31, 2024, total fees paid to the Association from WCT were \$1,598,901. The Association also received administrative service fees from RMF in the amount of \$3,743,413 for the year ended December 31, 2024. In addition to the service fees from RMF, during the year ended December 31, 2024 the Association also received reimbursement for legal staff salaries in the amount of \$1,268,891.

NOTE 11: AUTOMATED RECORDS SYSTEMS TRUST

During the 2007, regular session of the 86th Arkansas General Assembly, Act 615 (the Act) was passed, amending Arkansas Code 14-20-107. This Act created a trust fund to be administered by the Association known as the "Automated Records Systems Trust" (ARST). ARST is to be funded by Class 6 and Class 7 counties by remitting to ARST on a monthly basis \$1 for each document recorded in the specific county recorders' offices. These funds are to be administered by a committee comprised of the county recorders of the Class 6 and Class 7 counties and are to be used to fund automation of records systems in Class 1 through Class 5 counties by awarding grants to those counties who qualify. The Act requires the available funds to be substantially expended on an annual basis. Because the Association has no control over these funds or disbursements, ARST is treated as a custodial relation and are not reported on the Association's financial statements.

Association of Arkansas Counties

Notes to Financial Statements

December 31, 2024

NOTE 11: AUTOMATED RECORDS SYSTEMS TRUST (Continued)

ARST reported the following transactions for the year ended December 31, 2024:

ARST Income	
Fees collected and accrued	\$ 291,348
Investment income	7,068
Total ARST Income	<u>298,416</u>
ARST Expenditures	
Grants awarded to Class 1 - Class 5 counties	306,962
Total ARST Expenditures	<u>306,962</u>
Excess Revenues (Expenditures)	(8,546)
ARST Fund Balance - Beginning of Year	102,758
ARST Fund Balance - End of Year	<u>\$ 94,212</u>
Assets of ARST	
Cash in bank	\$ 70,140
Accounts receivable	24,072
Net Assets	<u>\$ 94,212</u>

NOTE 12: RELATED-PARTY TRANSACTIONS

The Association provides administrative and accounting support to County Judges Association of Arkansas (CJA). This support includes collecting online payments for CJA and remitting those payments to the CJA regularly. At December 31, 2024, the Association owed \$31,490 to CJA for payments collected but not remitted before year end. Fees collected on behalf of CJA throughout the year including the amount payable at December 31, 2024, was \$269,775.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2025, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2024.

Supplementary Information

Association of Arkansas Counties

History of the Organization and Comments

The Association was organized on February 13, 1968, with a meeting of two hundred Arkansas County officials in Little Rock. A Board of Directors and Officers were elected at that time.

Originally serving with the officers were eleven other county officials. In December 1980, the Board of Directors voted to add the Coroner's Association to their membership and add a County Coroner to the Board. In 1998, another position for the County Collector's Association was added, bringing the number of directors to the present sixteen. At December 31, 2024, the officers of the Association were as follows:

President	Debbie Wise – Randolph County Circuit Clerk
Vice President	Brandon Ellison – Polk County Judge
Secretary-Treasurer	Jimmy Hart – Conway County Judge

All directors serve without compensation; however, they do receive a per diem when attending meetings. The Secretary-Treasurer is custodian of the Association and is responsible for the minutes of all official meetings of the Board of Directors and the membership.

The initial funding of the Association in February, March and April of 1968 came from the various Associations of County Officials to wit:

Arkansas County Clerks Association	\$ 200
Arkansas Tax Assessors Association	200
Arkansas Circuit Clerks Association	200
Arkansas Sheriffs Association	250
Arkansas Association of County Judges	500
Arkansas County Treasurers Association	<u>200</u>
Total Initial Funding	<u>\$ 1,550</u>

During the years 1968 and 1969, additional funds were donated by these associations and other donors.

Act 92 of 1969 authorized the Quorum Courts of each of the counties in the State to appropriate from the county general funds an amount equal to one percent (1%) of the general revenues received from the County Aid Fund in the State Treasury. The first county to participate under the act was Woodruff County, which made the initial contribution in November 1969.

The Association was the defendant in a taxpayer's suit for injunction and declaratory relief, which sought to prohibit the counties of the State from contributing public funds to the Association. In a final decree issued by Chancellor James Chestnutt of Garland County, based on a memorandum opinion dated October 10, 1977, and Act 92 of 1969, the activities of the Association were found to be constitutional. The final decree of the Chancery Court, which was not appealed, removed any contingent liability regarding the constitutionality of the financial participation of the counties in the Association.

Act 92 of 1969 specifies that only the Quorum Court of each county can authorize the county to pay dues to the Association. All Arkansas counties were members of the Association in 2024. The schedules, as listed in the table of contents, show the amount paid by each County to the Association for the year ended December 31, 2024.

See Independent Auditor's Report.

Association of Arkansas Counties

History of the Organization and Comments (*Continued*)

Records, Reports, and Record Keeping

The financial statements of the Association were audited and an unmodified opinion was expressed. An annual budget is prepared for the Board of Directors that compares actual expenditures with those budgeted. A comparison of revenues, certain expenses and fixed asset purchases to the budget is presented as supplementary information to the financial statements. Monthly financial reports are presented to the Directors at their meetings, keeping them informed regarding the financial affairs of the Association. Complete and descriptive minutes of all official meetings of the Board of Directors and the membership have been kept as a permanent record of the activities of the Association.

All record keeping is done in the Little Rock office. Cindy Posey serves as accountant for the Association. The operations of the Association are under the general supervision of the Executive Director, Chris Villines.

Workers' Compensation Trust

The Association has established a trust for the purpose of administering a Self-Insured Workers' Compensation Insurance program for its member counties. Effective January 1, 1998, all of the operations of WCT have been handled by the Association. Prior to this date, a private administrator provided these services. The activities of WCT are under the direction of five trustees, three of whom serve on the Association's Board, and two of whom serve at-large. The financial statements of WCT are not included in the financial statements of the Association, as management has elected to present them separately. WCT is the subject of a separate audit.

Risk Management Fund

The Association has established a trust for the purpose of administering a Risk Management Program for its member counties. A private administrator provided claims services for RMF through March 24, 1998. Effective March 25, 1998, all of the operations of RMF have been handled by the Association. The activities of RMF are under the direction of seven trustees, who are elected officials of member counties. The financial statements of RMF are not included in the financial statements of the Association, as management has elected to present them separately. RMF is the subject of a separate audit.

Scholarship Trust

On April 3, 1985, the Association established the Association of Arkansas Counties Scholarship Trust (the Trust). The purpose of the Trust is to establish and maintain a college scholarship fund to provide financial assistance to students attending a college or other qualifying educational institution of their choice. The Trust has tax-exempt status under §501(c)(3) of the Internal Revenue Code. A three person Board of Trustees directs the Trust. The Association funded the Trust with an initial contribution of \$1,500. The financial statements of the Trust are not included in the financial statements of the Association since it is a separate and distinct entity and the Association has no right or claims to any of its net assets.

See Independent Auditor's Report.

Association of Arkansas Counties

Schedule of Revenues, Expenditures, and Changes in Net Position – Modified Cash Basis

Actual to Budget (*Continued*)

For the Year Ended December 31, 2024

	Actual	Budget	Favorable (Unfavorable)
Operating Revenues			
Membership dues	\$ 210,949	\$ 214,288	\$ (3,339)
Service fees - benefit programs	5,342,314	5,334,681	7,633
Legal staff reimbursements	1,268,891	1,292,521	(23,630)
Annual conference	269,730	254,000	15,730
Clearinghouse	49,366	175,000	(125,634)
Letter service	98,572	115,000	(16,428)
Continuing education fees	42,000	42,000	-
County Compliance Guides	36,225	38,500	(2,275)
County Officials' Directory	145	2,000	(1,855)
Drug and alcohol testing	-	6,000	(6,000)
Total Operating Revenues	\$ 7,318,192	\$ 7,473,990	\$ (155,798)
OPERATING EXPENDITURES			
Salaries	\$ 3,648,117	\$ 3,810,891	\$ 162,774
Employee benefits - dental insurance	17,254	19,000	1,746
Employee benefits - disability insurance	22,714	22,000	(714)
Employee benefits - health insurance	332,732	372,000	39,268
Employee benefits - retirement plan	566,682	583,830	17,148
Employee benefits - vision insurance	3,660	-	(3,660)
Personnel training	10,740	20,000	9,260
Payroll taxes	265,836	280,833	14,997
Workers' compensation insurance	9,207	5,000	(4,207)
Annual conference	316,315	350,000	33,685
NACO conference	32,679	45,000	12,321
NCCAE meeting	54,200	20,000	(34,200)
Systems software/support	136,440	140,000	3,560
Janitorial service	7,514	15,200	7,686
Networking services	35,265	50,000	14,735
Service contracts - equipment	82,564	85,000	2,436
County Lines	47,326	47,000	(326)
Maintenance, repairs, and	119,708	150,000	30,292
Insurance - property	47,199	23,000	(24,199)
Taxes - property	63	8,800	8,737
Utilities	28,548	40,000	11,452
Office and printing	48,009	60,000	11,991
Postage	20,864	27,500	6,636
Dues and subscriptions	12,871	20,000	7,129
County NACo dues	62,639	62,639	-
Scholarship fund donation	19,500	20,000	500
Professional services	18,271	18,000	(271)

(Continued)

See Independent Auditor's Report.

Association of Arkansas Counties

Schedule of Cash and Investments For the Year Ended December 31, 2024

	Actual	Budget	Favorable (Unfavorable)
Legal fees	\$ 3,689	\$ 5,000	\$ 1,311
Outside services	46,900	46,900	-
Legislative consultant	115,000	115,000	-
Legislative consultant expense	4,310	10,000	5,690
Membership and legislative	43,023	50,000	6,977
Auto	6,929	10,000	3,071
Auto insurance	15,864	8,000	(7,864)
Board of directors' expense	74,988	65,000	(9,988)
Travel - staff	67,963	60,000	(7,963)
ArkTRECS program expense	271,342	152,500	(118,842)
ARORP - administrative	74,186	-	(74,186)
ARORP - salaries, taxes, and benefits	243,790	-	(243,790)
Bank charges	2,480	2,750	270
Insurance - directors' and officers' bonds	22,799	14,000	(8,799)
Miscellaneous	21,649	9,500	(12,149)
Lawyers' professional liability insurance	33,576	16,500	(17,076)
Merchant discount fees	8,760	9,000	240
Special projects	15,000	60,000	45,000
Contract labor	-	10,000	10,000
Total Operating Expenditures	\$ 7,039,165	\$ 6,939,843	\$ (99,322)
 NONOPERATING REVENUES AND (EXPENDITURES)			
Interest	\$ 484,089	\$ 475,000	\$ 9,089
Lease income	83,080	80,960	2,120
Rental property expenses	(2,316)	(15,000)	12,684
Other income	9,322	15,400	(6,078)
Opioid litigation revenue	808,895	300,000	508,895
Total Nonoperating Revenues and (Expenditures)	\$ 1,383,070	\$ 856,360	\$ 526,710
 Excess revenues over expenditures budgeted items	 \$ 1,662,097	 \$ 1,390,507	
 NONBUDGETED REVENUES AND (EXPENDITURES)			
Depreciation	\$ (180,399)		
Net increase (decrease) in the fair value of investments	(247,891)		
Total Nonbudgeted Revenues and (Expenditures)	\$ (428,290)		
 Increase in Net Position	 \$ 1,233,807		

See Independent Auditor's Report.

Association of Arkansas Counties

Schedule of Cash and Investments For the Year Ended December 31, 2024

Cash and Investments

Cash and Cash Equivalents:

Bank OZK 4,782,632

Government-Sponsored Entity and Municipal Bonds

Held in -

Raymond James 8,604,279

Crews & Associates 1,080,713

Total Cash and Investments \$ 14,467,624

See Independent Auditor's Report.

Association of Arkansas Counties

Schedule of Members' Dues by County For the Year Ended December 31, 2024

County	2024	County	2024	County	2024
Arkansas	\$ 2,448	Garland	\$ 3,925	Newton	\$ 2,271
Ashley	2,482	Grant	2,462	Ouachita	2,546
Baxter	2,883	Greene	2,956	Perry	2,321
Benton	7,201	Hempstead	2,500	Phillips	2,438
Boone	2,808	Hot Spring	2,731	Pike	2,324
Bradley	2,330	Howard	2,370	Poinsett	2,551
Calhoun	2,227	Independence	2,818	Polk	2,485
Carroll	2,646	Izard	2,384	Pope	3,270
Chicot	2,324	Jackson	2,441	Prairie	2,290
Clark	2,524	Jefferson	3,339	Pulaski	9,243
Clay	2,402	Johnson	2,601	Randolph	2,473
Cleburne	2,582	Lafayette	2,255	Saline	4,338
Cleveland	2,277	Lawrence	2,431	Scott	2,318
Columbia	2,548	Lee	2,296	Searcy	2,282
Conway	2,511	Lincoln	2,373	Sebastian	4,416
Craighead	4,122	Little River	2,357	Sevier	2,425
Crawford	3,213	Logan	2,519	Sharp	2,450
Crittenden	3,000	Lonoke	3,460	St. Francis	2,554
Cross	2,442	Madison	2,437	Stone	2,363
Dallas	2,258	Marion	2,442	Union	2,838
Desha	2,346	Miller	2,901	Van Buren	2,424
Drew	2,452	Mississippi	2,867	Washington	6,517
Faulkner	4,340	Monroe	2,264	White	3,509
Franklin	2,447	Montgomery	2,294	Woodruff	2,254
Fulton	2,358	Nevada	2,291	Yell	2,503
					<u>\$ 214,288</u>

See Independent Auditor's Report.