



**Arkansas Municipal League  
General Operating Fund  
Capital Reserve Fund  
Reserve Fund**

**Financial Statements  
December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Assets, Liabilities and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	8



## INDEPENDENT AUDITOR'S REPORT

Executive Committee and Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### **Opinions: General Operating Fund, Capital Reserve Fund and Reserve Fund of the Arkansas Municipal League**

We have audited the accompanying modified cash basis financial statements of the **General Operating Fund**, the **Capital Reserve Fund** and the **Reserve Fund** of the **Arkansas Municipal League (the League)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2023 and 2022, and the statements of revenues, expenditures and changes in net position – modified cash basis for the years then ended, and the related notes to those financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the **General Operating Fund**, the **Capital Reserve Fund** and the **Reserve Fund** of the **League** as of December 31, 2023 and 2022, and the respective changes in each fund's modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 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.

### **Auditor's Responsibilities for the Audits 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 U.S. GAAS 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 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 U.S. GAAS, 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 League's 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 the ability of the League to continue to operate the General Operating Fund, the Capital Reserve Fund and the Reserve Fund as going concerns 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 - Other**

The financial statements referred to above include only those balances and transactions that are directly attributable to the General Operating Fund, the Capital Reserve Fund and the Reserve Fund of the League. They do not include any balances or transactions attributable to the benefit programs and certain other funds administered by the League, which are identified in Note 1 to the financial statements. The League issues separate financial statements for each of the benefit programs but does not issue complete reporting entity financial statements that present the League 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

Executive Committee and Management  
Arkansas Municipal League

**Emphasis of Matter – Other (Continued)**

financial position of the complete reporting entity of the League as of December 31, 2023 and 2022, or the respective changes in the League’s modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

**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 opinions are not modified with respect to this matter.

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

Little Rock, Arkansas  
May 15, 2024

## **Financial Statements**

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Statements of Assets, Liabilities and Net Position – Modified Cash Basis**  
**December 31, 2023 and 2022**

	<u>2023</u>				<u>2022</u>			
	<u>General Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Reserve Fund</u>	<u>Total</u>	<u>General Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 2,417,994	\$ 3,849,533	\$ 6,414,038	\$ 12,681,565	\$ 2,512,887	\$ 3,007,286	\$ 1,424,847	\$ 6,945,020
Investments	-	5,266,911	46,785,351	52,052,262	-	6,066,766	54,531,034	60,597,800
<b>Total Current Assets</b>	<u>2,417,994</u>	<u>9,116,444</u>	<u>53,199,389</u>	<u>64,733,827</u>	<u>2,512,887</u>	<u>9,074,052</u>	<u>55,955,881</u>	<u>67,542,820</u>
<b>Property and Equipment, Net</b>	<u>10,892,480</u>	-	-	<u>10,892,480</u>	<u>10,118,545</u>	-	-	<u>10,118,545</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,310,474</u>	<u>\$ 9,116,444</u>	<u>\$ 53,199,389</u>	<u>\$ 75,626,307</u>	<u>\$ 12,631,432</u>	<u>\$ 9,074,052</u>	<u>\$ 55,955,881</u>	<u>\$ 77,661,365</u>
<b>LIABILITIES AND NET POSITION</b>								
<b>Current Liabilities</b>								
Unearned annual fees and dues	\$ 353,039	\$ -	\$ -	\$ 353,039	\$ 278,450	\$ -	\$ -	\$ 278,450
<b>Total Liabilities</b>	<u>353,039</u>	<u>-</u>	<u>-</u>	<u>353,039</u>	<u>278,450</u>	<u>-</u>	<u>-</u>	<u>278,450</u>
<b>Net Position</b>								
Net investment in capital assets	10,892,480	-	-	10,892,480	10,118,545	-	-	10,118,545
Unrestricted	<u>2,064,955</u>	<u>9,116,444</u>	<u>53,199,389</u>	<u>64,380,788</u>	<u>2,234,437</u>	<u>9,074,052</u>	<u>55,955,881</u>	<u>67,264,370</u>
<b>Total Net Position</b>	<u>12,957,435</u>	<u>9,116,444</u>	<u>53,199,389</u>	<u>75,273,268</u>	<u>12,352,982</u>	<u>9,074,052</u>	<u>55,955,881</u>	<u>77,382,915</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 13,310,474</u>	<u>\$ 9,116,444</u>	<u>\$ 53,199,389</u>	<u>\$ 75,626,307</u>	<u>\$ 12,631,432</u>	<u>\$ 9,074,052</u>	<u>\$ 55,955,881</u>	<u>\$ 77,661,365</u>

See accompanying notes to financial statements.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis**  
**Years Ended December 31, 2023 and 2022**

	2023				2022			
	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total
<b>OPERATING REVENUES</b>								
Service and reserve fees	\$ 6,866,963	\$ -	\$ 3,911,745	\$ 10,778,708	\$ 7,161,880	\$ -	\$ 3,965,682	\$ 11,127,562
Conventions and conferences	835,632	-	-	835,632	589,222	-	-	589,222
Dues	251,254	-	-	251,254	241,370	-	-	241,370
Publications	37,691	-	-	37,691	69,400	-	-	69,400
Accidental death and dismemberment annual fees	246,620	-	-	246,620	241,380	-	-	241,380
Other	71,217	-	-	71,217	179,824	-	-	179,824
<b>Total Operating Revenues</b>	<b>8,309,377</b>	<b>-</b>	<b>3,911,745</b>	<b>12,221,122</b>	<b>8,483,076</b>	<b>-</b>	<b>3,965,682</b>	<b>12,448,758</b>
<b>OPERATING EXPENDITURES</b>								
Salaries and employee benefits, net	4,485,843	-	-	4,485,843	4,300,843	-	-	4,300,843
Conventions and conferences	876,980	-	-	876,980	827,816	-	-	827,816
Service fees	-	428,321	2,255,072	2,683,393	-	427,028	2,730,093	3,157,121
Publications	342,222	-	-	342,222	399,392	-	-	399,392
Accidental death and dismemberment premiums	111,600	-	-	111,600	108,504	-	-	108,504
Occupancy	526,613	-	-	526,613	531,775	-	-	531,775
Equipment repairs and maintenance	40,533	14,971	-	55,504	41,527	2,980	-	44,507
Supplies	94,867	6,353	-	101,220	101,038	42,997	-	144,035
Postage	110,762	-	-	110,762	124,072	-	-	124,072
Dues	172,055	-	-	172,055	162,617	-	-	162,617
Depreciation and amortization	963,749	-	-	963,749	875,995	-	-	875,995
Professional services	413,422	-	-	413,422	448,316	-	-	448,316
Travel	206,852	-	-	206,852	129,045	-	-	129,045
Other	89,448	220,049	-	309,497	77,327	195,056	-	272,383
<b>Total Operating Expenditures</b>	<b>8,434,946</b>	<b>669,694</b>	<b>2,255,072</b>	<b>11,359,712</b>	<b>8,128,267</b>	<b>668,061</b>	<b>2,730,093</b>	<b>11,526,421</b>
<b>Operating (Loss) Income before Subsidies and Transfers</b>	<b>(125,569)</b>	<b>(669,694)</b>	<b>1,656,673</b>	<b>861,410</b>	<b>354,809</b>	<b>(668,061)</b>	<b>1,235,589</b>	<b>922,337</b>

See accompanying notes to financial statements.



**Arkansas Municipal League  
General Operating Fund  
Capital Reserve Fund  
Reserve Fund**

**Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis (Continued)  
Years Ended December 31, 2023 and 2022**

	2023				2022			
	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total
<b>SUBSIDIES AND TRANSFERS</b>								
Operating subsidies - program costs	\$ -	\$ -	\$ (2,983,639)	\$ (2,983,639)	\$ -	\$ -	\$ (7,144,210)	\$ (7,144,210)
Operating subsidies - personnel costs	1,143,787	-	(1,765,542)	(621,755)	984,241	-	(1,509,403)	(525,162)
Interfund transfer - excess funds	(2,234,438)	2,234,438	-	-	(2,854,716)	2,854,716	-	-
Interfund transfer - property and equipment purchases	1,740,315	(1,740,315)	-	-	1,405,555	(1,405,555)	-	-
<b>Total Subsidies and Transfers, Net</b>	<u>649,664</u>	<u>494,123</u>	<u>(4,749,181)</u>	<u>(3,605,394)</u>	<u>(464,920)</u>	<u>1,449,161</u>	<u>(8,653,613)</u>	<u>(7,669,372)</u>
<b>Net Operating Income (Loss)</b>	<u>524,095</u>	<u>(175,571)</u>	<u>(3,092,508)</u>	<u>(2,743,984)</u>	<u>(110,111)</u>	<u>781,100</u>	<u>(7,418,024)</u>	<u>(6,747,035)</u>
<b>NONOPERATING REVENUES (EXPENDITURES), NET</b>								
Investment income, net	110,559	248,732	1,074,669	1,433,960	36,670	877,722	3,680,903	4,595,295
Investment fees and bank charges	(30,201)	(30,769)	(738,653)	(799,623)	(21,285)	(32,668)	(802,921)	(856,874)
<b>Total Nonoperating Revenues Net</b>	<u>80,358</u>	<u>217,963</u>	<u>336,016</u>	<u>634,337</u>	<u>15,385</u>	<u>845,054</u>	<u>2,877,982</u>	<u>3,738,421</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>604,453</u>	<u>42,392</u>	<u>(2,756,492)</u>	<u>(2,109,647)</u>	<u>(94,726)</u>	<u>1,626,154</u>	<u>(4,540,042)</u>	<u>(3,008,614)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>12,352,982</u>	<u>9,074,052</u>	<u>55,955,881</u>	<u>77,382,915</u>	<u>12,447,708</u>	<u>7,447,898</u>	<u>60,495,923</u>	<u>80,391,529</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 12,957,435</u>	<u>\$ 9,116,444</u>	<u>\$ 53,199,389</u>	<u>\$ 75,273,268</u>	<u>\$ 12,352,982</u>	<u>\$ 9,074,052</u>	<u>\$ 55,955,881</u>	<u>\$ 77,382,915</u>

See accompanying notes to financial statements.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Arkansas Municipal League (the League) is a voluntary group of Arkansas cities and towns, founded in 1934. The League provides a variety of services and benefits to its members, including legislative advocacy, risk management and benefit programs, training and educational opportunities and informational publications. During the years ended December 31, 2023 and 2022, the number of cities and towns participating in the program totaled 499 and 498, respectively. Oversight of the League is the responsibility of a 30-member Executive Committee (the Executive Committee).

The League provides administrative services, including facilities, personnel, supplies, equipment, investment management and other services to each of the following public entity risk pools (collectively, “the Benefit Programs”):

- Municipal Legal Defense Program (Legal Defense Program)
- Municipal Property Program (Property Program)
- Municipal Vehicle Program (Vehicle Program)
- Municipal Health Benefit Program (Health Benefit Program)
- Municipal Health Benefit Program – Life Benefit Account (Life Benefit Account)
- Municipal League Workers’ Compensation Program (Workers’ Compensation Program)
- Firefighters Supplemental Income Protection Plan (Firefighters Plan)

Due to the nature and significance of the League’s relationship with the Benefit Programs, they meet the criteria for inclusion in the financial reporting entity of the League, 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 League’s General Operating Fund, Capital Reserve Fund and Reserve Fund (collectively, “the League Funds”) 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 years ended December 31, 2023 and 2022 (amounts in millions):

	2023	2022
Total assets	\$ 117.0	\$ 116.8
Total liabilities	\$ 39.1	\$ 37.0
Total net position	\$ 78.0	\$ 79.8
Total revenues <sup>(1)</sup>	\$ 135.1	\$ 121.6
Total expenditures <sup>(1)</sup>	\$ 136.9	\$ 128.4

<sup>(1)</sup> Includes transfers and subsidies

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reporting Entity (Continued)**

Information about the Benefit Programs or copies of their separate audited financial statements may be obtained by contacting the Arkansas Municipal League, 301 West 2<sup>nd</sup> Street, North Little Rock, Arkansas 72114.

The League also serves as the administrator of the Arkansas Local Government Pension Management Trust (PMT) and the Municipal Other Post-Employment Benefits Trust (MOPEBT). Combined assets under League administration total \$258.3 million and \$229.7 million at December 31, 2023 and 2022, respectively. Assets of the PMT and MOPEBT are held in trust for their member entities and are not included in the financial statements of the League Funds.

The following funds are included in these financial statements:

- The General Operating Fund was established to pay costs incurred in providing services to members of the League and in the administration of the Benefit Programs, the PMT and the MOPEBT. Resources accumulated to pay these costs are generally derived from annual dues paid by members, sales of publications, conference and convention registration fees and service fees paid by the Benefit Programs. In addition, accidental death and dismemberment insurance is an optional benefit made available to elected officials and municipal department heads through a group insurance policy with a commercial insurer. Annual fees collected from members to participate in this benefit and premiums paid to the commercial insurer are accounted for in the General Operating Fund. All property and equipment utilized in providing member services or in administering the League Funds, Benefit Programs, PMT and MOPEBT, as well as related depreciation of that equipment, are reported in the General Operating Fund.
- The Capital Reserve Fund was established in 1981 to accumulate resources for acquisitions of property and equipment to be used in the League's operations, in the operations of the Benefit Programs and for certain other purposes, as approved by the Executive Committee. Annually, management of the League transfers any excess funds in the General Operating Fund not needed to cover current operating expenditures to the Capital Reserve Fund.
- The Reserve Fund was established in 1984 to provide supplemental aggregate reserves to support and pay claims of the Benefit Programs in the event that resources accumulated in those programs are not sufficient to cover outstanding claims. The Reserve Fund may also be used to pay for certain operating costs and other purposes, at the discretion of the Executive Committee.

**Measurement Focus and Basis of Accounting**

The League Funds are operated as enterprise funds. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

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 League.

Transactions of the League 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 municipalities 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. Investments are reported at cost, rather than fair value. Generally, non-cash transactions are not reported. However, there are certain exceptions related to depreciation and amortization of the League's property and equipment, and increases and decreases in investments resulting from allocations of income and expenditures of the pooled investment funds managed by the League, as more fully disclosed throughout the notes to the financial statements.

**Basis of Presentation**

Net position is categorized into net investment in capital assets, restricted and unrestricted, as applicable. As of December 31, 2023 and 2022, there were no restrictions on the net position of the League.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statements 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 League and the Benefit Programs. Transfers include operating transfers between the General Operating Fund and Capital Reserve Fund, as well as operating subsidies to various Benefit Programs to cover a portion of personnel and certain other costs incurred in administering these programs. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing activities.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposit accounts maintained with financial institutions, undeposited receipts and equity in two pooled cash management accounts, which are interest-bearing deposit accounts maintained with financial institutions by the League for the benefit of certain funds and Benefit Programs managed by the League.

**Investments**

To maximize investment opportunities and returns, the League pools the resources of the League Funds and certain Benefit Programs in several internal investment pools, each of which has a different asset mix and investment strategy. An internal investment pool is an arrangement that comingles the moneys of more than one fund within one legal entity. The underlying investments that comprise the internal investment pools may include marketable equity securities, obligations of the U.S. government, obligations of U.S. government agencies and government-sponsored entities, mutual funds, exchange traded funds, alternative investments and investments in certain other debt securities, as approved by the Executive Committee.

Investments include ownership interests in these internal investment pools managed by the League (see Note 2 and Note 3). While the League Funds own participating interests in the pools, the League Funds do not own the underlying securities. Amounts invested by the League Funds in the internal investment pools are generally reported at cost on the statements of assets, liabilities and net position – modified cash basis. Net investment income (or loss) earned by the pools and certain investment fees are allocated to the League Funds and other pool participants on a pro-rata basis and are recorded as increases or decreases in the cost of the investment.

In addition, the Reserve Fund invests in equity securities, debt securities and money market mutual funds that are held by the League specifically for the Reserve Fund, which are also reported at cost. Purchases and sales of these investments are recorded when the transaction settles, and investment income is recorded when cash is received.

**Property and Equipment**

Management of the League has established a policy to capitalize property and equipment purchased with resources accumulated in the Capital Reserve Fund with a cost greater than or equal to \$3,000 and a useful life greater than or equal to three years. Property and equipment are reported at historical cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Expenditures related to repairs and maintenance that do not add value or extend the useful life of an asset are not capitalized and are reported as expenditures when paid.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Dues**

Each participating city or town must pay annual dues, which are based on the population as shown by the latest census count, the number of optional Benefit Programs in which the city or town participates and other factors as determined by the Executive Committee. Limited service memberships are available to counties, school districts, planning and development districts and certain other entities. Dues received in advance of the membership period to which they apply are included in unearned annual fees and dues on the statements of assets, liabilities and net position – modified cash basis.

**Accidental Death and Dismemberment Annual Fees**

Cities and towns that elect to participate in the optional accidental death and dismemberment benefit coverage program for elected officials and municipal department heads offered through the General Operating Fund pay annual fees. Rates are established by the Executive Committee. Annual fees received in advance of the coverage period to which they apply are included in unearned annual fees and dues in the statements of assets, liabilities and net position – modified cash basis.

**Service and Reserve Fees**

The General Operating Fund receives a service fee from the Capital Reserve Fund, the Reserve Fund and each of the Benefit Programs to cover administrative and operating costs. The service fee is generally calculated as 3% of total cash and the fair value of investments as of specific dates.

The Reserve Fund receives a reserve fee from each of the Benefit Programs. The reserve fee is generally calculated as 10% of annual fees collected; however, the Health Benefit Program reserve fee is determined based on the number of covered employees (\$4.00 per covered employee per month), and the Life Benefit Account reserve fee is calculated as 10% of investment income and transfers from the Health Benefit Program.

**Tax Status**

The League is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Estimates**

The preparation of financial statements in conformity 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.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents**

At December 31, cash and cash equivalents include the following:

	<b>2023</b>			
	<b>General Operating Fund</b>	<b>Capital Reserve Fund</b>	<b>Reserve Fund</b>	<b>Total</b>
Demand deposit accounts	\$ 1,460,443	\$ 77,640	\$ -	\$ 1,538,083
Equity in pooled cash management accounts	907,901	3,771,893	6,414,038	11,093,832
Undeposited receipts	49,650	-	-	49,650
	<b>\$ 2,417,994</b>	<b>\$ 3,849,533</b>	<b>\$ 6,414,038</b>	<b>\$ 12,681,565</b>
	<b>2022</b>			
	<b>General Operating Fund</b>	<b>Capital Reserve Fund</b>	<b>Reserve Fund</b>	<b>Total</b>
Demand deposit accounts	\$ 455,791	\$ 63,503	\$ -	\$ 519,294
Equity in pooled cash management accounts	2,039,566	2,943,783	1,424,847	6,408,196
Undeposited receipts	17,530	-	-	17,530
	<b>\$ 2,512,887</b>	<b>\$ 3,007,286</b>	<b>\$ 1,424,847</b>	<b>\$ 6,945,020</b>

The League maintains demand deposit accounts and pooled cash management accounts for the use of the League Funds and the Benefit Programs at several financial institutions. The aggregate balances of these accounts at any one financial institution are insured up to Federal Deposit Insurance Corporation (FDIC) limits, and the excess of the balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institutions and held in the name of the League or Federal Home Loan Bank irrevocable standby letters of credit issued in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League.

**Investments**

The Executive Committee has created and appointed members of an investment subcommittee to establish investment guidelines, review and evaluate investment results, and make recommendations on investment matters pertaining to investing activities of the League Funds and the Benefit Programs. The Investment Policy Statement (the Policy), as amended, adopted by the League at the recommendation of the investment subcommittee sets forth basic investment objectives and philosophies. The requirements of the Policy are applied to the investment portfolio managed by the League for the League Funds and certain Benefit Programs managed by the League.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

The Policy specifies that the primary investment objective is to earn the highest possible return consistent with prudent levels of risk. In general, the Policy sets forth limitations and guidelines on industry concentrations and investment ratings. With respect to equity securities, no single equity security may exceed 10% of the aggregate fair value of all securities in the account in which that equity security is held. In addition, concentrations in any one economic sector are limited to 30% of the aggregate fair value of all securities in that account. With respect to debt securities, a minimum credit rating of A3/A- is generally required, with certain exceptions. With the exception of securities that are direct or guaranteed obligations of the U.S. government, concentrations with respect to any one issuer may not exceed 5% of the aggregate fair value of all securities in the account in which that debt security is held. Alternative investments are limited to 15% of the fair value of all the League's investments.

The pages that follow provide detailed information about investments held by the League Funds as of December 31, 2023 and 2022, including estimated fair values. Fair values of the underlying securities are generally determined by independent pricing sources. The fair values of equity securities are based on unadjusted quoted prices for those securities in the active markets on which they are traded. The fair values of debt securities are estimated using pricing models that consider various assumptions about interest rates, timing of cash flows and other market-related factors. The fair values of alternative investments are estimated based on the capital investment made by the League into those funds, adjusted for gains and losses and other highly subjective factors.



**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investment Detail**

At December 31, the investments of the League Funds are as follows:

	<b>Capital Reserve Fund</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Internal Investment Pools</b>				
Equity Securities:				
Russell 3000 Account	\$ 1,049,168	\$ 4,359,170	\$ 1,049,168	\$ 3,458,308
Large Cap Growth Account	1,043,118	1,520,530	1,039,907	1,323,886
Wellington Management Accounts:				
Large Growth	728,108	1,095,758	736,232	783,370
Enduring Assets	-	-	794,344	851,086
International Quality Growth	481,167	591,797	472,602	522,189
Stephens Opportunistic Account	-	-	87,167	80,062
Debt Securities:				
Passive Bond Market Account	531,499	607,532	531,499	576,606
Arkansas Bond Account	331,423	324,704	320,423	307,114
Stephens Opportunistic Account	-	-	772,984	709,980
Money Market Mutual Funds:				
Stephens Opportunistic Account	847,423	847,423	-	-
Alternative Investments:				
CapRocq Core Real Estate				
Fund L.P.	26,407	26,407	34,344	34,344
KKR Lending Partners, L.P.	8,889	8,889	8,387	8,387
Owl Rock Capital Corporation	219,709	213,692	219,709	167,218
	<u>\$ 5,266,911</u>	<u>\$ 9,595,902</u>	<u>\$ 6,066,766</u>	<u>\$ 8,822,550</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investment Detail (Continued)**

	Reserve Fund			
	2023		2022	
	Cost	Fair Value	Cost	Fair Value
<b>Internal Investment Pools</b>				
Equity Securities:				
Russell 3000 Account	\$ 4,345,470	\$ 18,054,925	\$ 4,345,470	\$ 14,323,708
Large Cap Growth Account	5,350,868	7,799,842	5,334,395	6,791,121
Wellington Management Accounts:				
Large Growth	7,106,147	10,694,313	7,185,432	7,645,493
Enduring Assets	-	-	7,752,592	8,306,378
International Quality Growth	4,696,068	5,775,790	4,612,477	5,096,429
Debt Securities:				
Passive Bond Market Account	7,352,666	8,404,492	7,352,666	7,976,666
Arkansas Bond Account	3,233,207	3,169,030	3,125,853	2,997,356
Alternative Investments:				
CapRocq Core Real Estate Fund L.P.	134,606	134,606	175,063	175,063
KKR Lending Partners, L.P.	45,305	45,305	42,753	42,753
Owl Rock Capital Corporation	1,119,938	1,089,265	1,119,938	852,372
<b>Small Cap Equity Account</b>				
Equity securities	12,857,692	17,794,724	12,827,070	14,724,734
Money market mutual fund	543,384	543,384	657,325	657,325
	<u>\$ 46,785,351</u>	<u>\$ 73,505,676</u>	<u>\$ 54,531,034</u>	<u>\$ 69,589,398</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Small Cap Equity Account**

The Small Cap Equity Account is a separate investment account maintained for investment of Reserve Fund assets and is managed by an independent investment firm. The underlying securities are held by an agent of the League in the name of the League and consist of domestic and international equity securities and a money market mutual fund. The money market mutual fund is an open-ended mutual fund that invests primarily in U.S. government debt securities and has a Standard & Poor's/Moody's credit rating of AAAM/Aaa.

**NOTE 3: INTERNAL INVESTMENT POOLS**

The following provides a brief description of the investment objectives of each pool, the types of underlying securities held in each pool and the ownership interests in each pool attributable to the League Funds and the Benefit Programs. All of the investments that comprise the internal investment pools are registered in the name of the League and are held by an agent of the League.

**Russell 3000 Account**

Assets in the Russell 3000 Account are invested in common trust fund units. The assets of the common trust fund are invested in an underlying portfolio of equity securities that is managed by an independent investment management firm, with an investment strategy designed to match characteristics and returns of the Russell 3000 Equity Index.

The cost and fair values of investments in the Russell 3000 Account are as follows at December 31:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Common trust fund units	\$ 8,610,449	\$ 35,775,421	\$ 8,610,449	\$ 28,382,101

At December 31, the cost and fair value attributable to each participant's interest in the Russell 3000 Account are as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	\$ 1,049,168	\$ 4,359,170	\$ 1,049,168	\$ 3,458,308
Reserve Fund	4,345,470	18,054,925	4,345,470	14,323,708
Vehicle Program	1,219,531	5,067,011	1,219,531	4,019,867
Property Program	522,854	2,172,398	522,854	1,723,452
Legal Defense Program	1,033,310	4,293,286	1,033,310	3,406,039
Life Benefit Account	167,460	695,777	167,460	551,988
Firefighters Plan	272,656	1,132,854	272,656	898,739
	\$ 8,610,449	\$ 35,775,421	\$ 8,610,449	\$ 28,382,101

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Large Cap Growth Account**

The Large Cap Growth Account was established to invest in domestic and international equity securities, as well as equity and international mutual funds and exchange-traded funds (ETFs). The underlying portfolio is managed by an independent investment management firm, with an investment strategy designed to match characteristics and returns of the Russell 1000 Index. Funds may also be invested in a money market mutual fund. The money market mutual fund is an open-ended mutual fund that invests primarily in U.S. government debt securities and has a Standard & Poor's/Moody's credit rating of AAAM/Aaa.

The cost and fair values of investments in the Large Cap Growth Account are as follows at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 10,304,234	\$ 15,372,859	\$ 10,480,702	\$ 13,495,680
Cash	3,582	3,582	-	-
Money market mutual fund	766,841	766,841	559,860	559,860
	<u>\$ 11,074,657</u>	<u>\$ 16,143,282</u>	<u>\$ 11,040,562</u>	<u>\$ 14,055,540</u>

At December 31, the cost and fair value attributable to each participant's interest in the Large Cap Growth Account are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 1,043,118	\$ 1,520,530	\$ 1,039,907	\$ 1,323,886
Reserve Fund	5,350,868	7,799,842	5,334,395	6,791,121
Vehicle Program	2,394,983	3,491,113	2,387,609	3,039,622
Property Program	559,196	815,128	557,474	709,712
Legal Defense Program	1,231,787	1,795,549	1,227,995	1,563,338
Life Benefit Account	231,299	337,159	230,587	293,556
Firefighters Plan	263,406	383,961	262,595	334,305
	<u>\$ 11,074,657</u>	<u>\$ 16,143,282</u>	<u>\$ 11,040,562</u>	<u>\$ 14,055,540</u>

**Wellington Large Growth Account**

The objective of the Wellington Large Growth Account is to provide long-term total returns in excess of the Russell 1000 Growth Index by investing in stocks of successful domestic and international growth companies. Funds that are not invested in equity securities are invested in a money market mutual fund. The money market mutual fund is an open-ended mutual fund that invests primarily in U.S. government debt securities and has a Standard & Poor's/Moody's credit rating of AAAM/Aaa.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Wellington Large Growth Account (Continued)**

The cost and fair values of investments in the Wellington Large Growth Account are as follows at December 31:

	<b>2023</b>		<b>2022</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 14,061,787	\$ 21,224,450	\$ 13,913,148	\$ 14,831,518
Money market mutual fund	123,434	123,434	430,340	430,340
	<u>\$ 14,185,221</u>	<u>\$ 21,347,884</u>	<u>\$ 14,343,488</u>	<u>\$ 15,261,858</u>

At December 31, the cost and fair value attributable to each participant's interest in the Wellington Large Growth Account are as follows:

	<b>2023</b>		<b>2022</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 728,108	\$ 1,095,758	\$ 736,232	\$ 783,370
Reserve Fund	7,106,147	10,694,313	7,185,432	7,645,493
Vehicle Program	4,070,479	6,125,820	4,115,894	4,379,422
Property Program	481,424	724,513	486,793	517,963
Legal Defense Program	1,337,215	2,012,426	1,352,135	1,438,708
Life Benefit Account	301,540	453,800	304,905	324,427
Firefighters Plan	160,308	241,254	162,097	172,475
	<u>\$ 14,185,221</u>	<u>\$ 21,347,884</u>	<u>\$ 14,343,488</u>	<u>\$ 15,261,858</u>

**Wellington Enduring Assets Account**

Assets in the Wellington Enduring Assets Account were invested in common trust fund units. The assets of the common trust fund were invested in an underlying portfolio of equity securities that were managed by an independent investment management firm, with an investment strategy designed to invest in companies with long-lived physical assets that possess an advantaged competitive position and generate earnings with low levels of volatility to deliver attractive risk-adjusted returns. This account was liquidated during 2023, and the proceeds from the liquidation, which totaled \$16,315,193, were transferred to one of the League's pooled cash management accounts, with each League Fund or Benefit Program receiving its pro-rata share of the proceeds. The gain resulting from liquidation, which totaled \$541,048, was also allocated to each League Fund or Benefit Program based on its pro-rata share of the account balance at the date of liquidation.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Wellington Enduring Assets Account (Continued)**

The cost and fair values of investments in the Wellington Enduring Assets Account are as follows at December 31:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Common trust fund units	\$ -	\$ -	\$ 15,475,648	\$ 16,581,111

At December 31, the cost and fair value attributable to each participant's interest in the Wellington Enduring Assets Account are as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	\$ -	\$ -	\$ 794,344	\$ 851,086
Reserve Fund	-	-	7,752,592	8,306,378
Vehicle Program	-	-	4,440,770	4,757,984
Property Program	-	-	525,218	562,737
Legal Defense Program	-	-	1,458,861	1,563,071
Life Benefit Account	-	-	328,972	352,471
Firefighters Plan	-	-	174,891	187,384
	\$ -	\$ -	\$ 15,475,648	\$ 16,581,111

**Wellington International Quality Growth Account**

Assets in the Wellington International Quality Growth Account are invested in common trust fund units. The assets of the common trust fund are invested in an underlying portfolio of international equity securities that is managed by an independent investment management firm, with an investment strategy designed to provide long-term total returns in excess of the MSCI AC World ex US Growth Index by investing in high quality growth companies which trade at a discount relative to the market.

The cost and fair values of investments in the Wellington International Quality Growth Account are as follows at December 31:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Common trust fund units	\$ 9,374,245	\$ 11,529,576	\$ 9,207,381	\$ 10,173,443

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Wellington International Quality Growth Account (Continued)**

At December 31, the cost and fair value attributable to each participant's interest in the Wellington International Quality Growth Account are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 481,167	\$ 591,797	\$ 472,602	\$ 522,189
Reserve Fund	4,696,068	5,775,790	4,612,477	5,096,429
Vehicle Program	2,689,959	3,308,436	2,642,077	2,919,291
Property Program	318,147	391,296	312,484	345,270
Legal Defense Program	883,693	1,086,872	867,963	959,032
Life Benefit Account	199,272	245,088	195,725	216,261
Firefighters Plan	105,939	130,297	104,053	114,971
	<u>\$ 9,374,245</u>	<u>\$ 11,529,576</u>	<u>\$ 9,207,381</u>	<u>\$ 10,173,443</u>

**Stephens Opportunistic Fund Account**

The objective of the Stephens Opportunistic Fund Account is to fund investment opportunities in sectors and asset classes that offer high rates of return in the near term primarily through the use of ETFs, mutual funds and a money market mutual fund. Neither the ETFs nor the mutual funds are rated by a nationally recognized statistical rating organization. The money market mutual fund is an open-ended mutual fund that invests primarily in U.S. government debt securities and has a Standard & Poor's/Moody's credit rating of AAAM/Aaa.

The cost and fair values of investments in the Stephens Opportunistic Fund Account are as follows at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
ETFs	\$ -	\$ -	\$ 389,431	\$ 309,146
Mutual funds	-	-	2,558,900	2,368,471
Money market mutual fund	3,272,170	3,272,170	372,986	372,986
	<u>\$ 3,272,170</u>	<u>\$ 3,272,170</u>	<u>\$ 3,321,317</u>	<u>\$ 3,050,603</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Stephens Opportunistic Fund Account (Continued)**

At December 31, the cost and fair value attributable to each participant's interest in the Stephens Opportunistic Fund Account are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 847,423	\$ 847,423	\$ 860,151	\$ 790,042
Vehicle Program	128,345	128,345	130,273	119,654
Property Program	753,708	753,708	765,028	702,672
Legal Defense Program	1,444,316	1,444,316	1,466,009	1,346,518
Firefighters Plan	98,378	98,378	99,856	91,717
	<u>\$ 3,272,170</u>	<u>\$ 3,272,170</u>	<u>\$ 3,321,317</u>	<u>\$ 3,050,603</u>

**Passive Bond Market Account**

Assets in the Passive Bond Market Account are invested solely in common trust fund units. The assets of the common trust fund are invested in an underlying portfolio of debt securities that is managed by an independent investment management firm, with an investment strategy designed to match the characteristics and returns of the Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index. The common trust fund is not rated by any nationally recognized statistical rating organization; however, the underlying securities have an average Moody's credit rating of Aa3. The average effective maturity of the underlying securities held in the fund at December 31, 2023 is 4.28 years, compared to 4.27 years at December 31, 2022.

The cost and fair values of investments in the Passive Bond Market Account are as follows at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common trust fund units	<u>\$ 14,221,822</u>	<u>\$ 16,256,307</u>	<u>\$ 14,221,822</u>	<u>\$ 15,428,789</u>



**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Passive Bond Market Account (Continued)**

At December 31, the cost and fair value attributable to each participant's interest in the Passive Bond Market Account are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 531,499	\$ 607,532	\$ 531,499	\$ 576,606
Reserve Fund	7,352,666	8,404,492	7,352,666	7,976,666
Vehicle Program	3,000,000	3,429,161	3,000,000	3,254,602
Property Program	265,749	303,766	265,749	288,303
Legal Defense Program	1,617,500	1,848,889	1,617,500	1,754,772
Life Benefit Account	1,454,408	1,662,467	1,454,408	1,577,840
	<u>\$ 14,221,822</u>	<u>\$ 16,256,307</u>	<u>\$ 14,221,822</u>	<u>\$ 15,428,789</u>

**Arkansas Bond Account**

The objective of the Arkansas Bond Account is to invest in fixed income securities issued by Arkansas municipalities and companies that maintain corporate headquarters in Arkansas. Funds may also be invested in a money market mutual fund. Corporate bonds consist of fixed-income investments in two Arkansas-based companies. These companies carry credit ratings of BB+/Baa3 or better by Standard & Poor's/Moody's. The municipal bonds consist of fixed income investments in school districts and municipal entities in the state of Arkansas. Due to the nature of these offerings, these bonds are generally unrated. Those that are rated carry Standard & Poor's/Moody's credit ratings ranging from AA/Aa2 to A-/A3. The money market mutual fund is an open-ended mutual fund that invests primarily in U.S. government debt securities and has a Standard & Poor's/Moody's credit rating of AAAm/Aaa.

The cost and fair values of investments in the Arkansas Bond Account are as follows at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 590,074	\$ 559,391	\$ 590,074	\$ 574,440
Municipal bonds	5,874,832	5,769,081	4,461,977	4,206,377
Money market mutual fund	313,145	313,145	1,501,009	1,501,009
	<u>\$ 6,778,051</u>	<u>\$ 6,641,617</u>	<u>\$ 6,553,060</u>	<u>\$ 6,281,826</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Arkansas Bond Account (Continued)**

At December 31, the cost basis and fair value attributable to each participant's interest in the Arkansas Bond Account are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 331,423	\$ 324,704	\$ 320,423	\$ 307,114
Reserve Fund	3,233,207	3,169,030	3,125,853	2,997,356
Vehicle Program	2,124,477	2,081,105	2,053,977	1,968,367
Property Program	219,173	214,694	211,900	203,063
Legal Defense Program	608,772	596,339	588,571	564,034
Life Benefit Account	188,039	184,255	181,798	174,274
Firefighters Plan	72,960	71,490	70,538	67,618
	<u>\$ 6,778,051</u>	<u>\$ 6,641,617</u>	<u>\$ 6,553,060</u>	<u>\$ 6,281,826</u>

**Alternative Investments**

The Policy authorizes the use of alternative investment strategies to enhance income and further diversify the investment portfolio managed by the League. The strategies include a limited partnership that provides direct lending to middle-market companies that do not have ready access to traditional financing; a limited partnership that invests in a diversified portfolio of real estate located throughout the midwest and southeast U.S.; and a specialty finance corporation focused on lending to U.S. middle-market companies. Due to their nature, alternative investments carry a higher degree of risk associated with the operations, personnel and processes of the manager, industry or asset concentrations, lack of liquidity and potential for loss of investments. These investments are not rated by any nationally recognized statistical rating organization.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3: INTERNAL INVESTMENT POOLS (Continued)**

**Alternative Investments (Continued)**

The cost and fair values of the alternative investments, as well as the League's total funding commitment and remaining amount to be funded, are as follows at December 31:

	<b>2023</b>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Total Commitment</u>	<u>Remaining Commitment</u>
CapRocq Core Real Estate Fund L.P.	\$ 354,910	\$ 354,910	\$ 2,500,000	\$ -
KKR Lending Partners, L.P.	119,453	119,453	5,000,000	-
Owl Rock Capital Corporation	2,952,891	2,872,016	2,500,000	-
	<u>\$ 3,427,254</u>	<u>\$ 3,346,379</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>
	<b>2022</b>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Total Commitment</u>	<u>Remaining Commitment</u>
CapRocq Core Real Estate Fund L.P.	\$ 461,580	\$ 461,580	\$ 2,500,000	\$ -
KKR Lending Partners, L.P.	112,725	112,725	5,000,000	445,853
Owl Rock Capital Corporation	2,952,891	2,247,411	2,500,000	-
	<u>\$ 3,527,196</u>	<u>\$ 2,821,716</u>	<u>\$ 10,000,000</u>	<u>\$ 445,853</u>

At December 31, the cost and fair value attributable to each participant's interest in the alternative investments are as follows:

	<b>2023</b>		<b>2022</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Capital Reserve Fund	\$ 255,005	\$ 248,988	\$ 262,440	\$ 209,949
Reserve Fund	1,299,849	1,269,176	1,337,754	1,070,188
Vehicle Program	1,162,018	1,134,596	1,195,905	956,710
Property Program	479,384	468,072	493,362	394,684
Firefighters Plan	230,998	225,547	237,735	190,185
	<u>\$ 3,427,254</u>	<u>\$ 3,346,379</u>	<u>\$ 3,527,196</u>	<u>\$ 2,821,716</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 4: PROPERTY AND EQUIPMENT, NET**

A summary of property and equipment balances and changes therein for each of the years ended December 31, 2023 and 2022, are as follows:

	<u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2023</u>
Building	\$ 11,100,875	\$ 283,242	\$ -	\$ -	\$ 11,384,117
Vehicles	358,670	151,558	(61,714)	-	448,514
Furniture, fixtures and equipment	1,866,904	57,207	(147,993)	-	1,776,118
Computer software and equipment	3,588,752	390,404	(286,194)	1,417,929	5,110,891
Less accumulated depreciation and amortization	<u>(9,690,559)</u>	<u>(963,749)</u>	<u>443,399</u>	<u>-</u>	<u>(10,210,909)</u>
	7,224,642	(81,338)	(52,502)	1,417,929	8,508,731
Municipal Property Program software implementation	-	9,480	-	-	9,480
Municipal Vehicle Program software implementation	-	9,480	-	-	9,480
Workers' Compensation Program software implementation	539,113	878,816	-	(1,417,929)	-
Website upgrade	-	10,000	-	-	10,000
Land	<u>2,354,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,354,790</u>
	<u>\$ 10,118,545</u>	<u>\$ 826,437</u>	<u>\$ (52,502)</u>	<u>\$ -</u>	<u>\$ 10,892,480</u>
	<u>2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2022</u>
Building	\$ 10,908,792	\$ 201,612	\$ (9,529)	\$ -	\$ 11,100,875
Vehicles	296,956	61,714	-	-	358,670
Furniture, fixtures and equipment	1,876,228	37,911	(47,235)	-	1,866,904
Computer software and equipment	1,617,576	557,629	(104,597)	1,518,144	3,588,752
Less accumulated depreciation and amortization	<u>(8,971,917)</u>	<u>(875,995)</u>	<u>157,353</u>	<u>-</u>	<u>(9,690,559)</u>
	5,727,635	(17,129)	(4,008)	1,518,144	7,224,642
Health Benefit Program software implementation	1,518,144	-	-	(1,518,144)	-
Workers' Compensation Program software implementation	-	539,113	-	-	539,113
Land	<u>2,347,214</u>	<u>7,576</u>	<u>-</u>	<u>-</u>	<u>2,354,790</u>
	<u>\$ 9,592,993</u>	<u>\$ 529,560</u>	<u>\$ (4,008)</u>	<u>\$ -</u>	<u>\$ 10,118,545</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 5: SERVICE AND RESERVE FEE REVENUES**

The following details the sources of service and reserve fee revenues:

	<u>Service Fees</u>		<u>Reserve Fees</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Capital Reserve Fund	\$ 428,321	\$ 427,028	\$ -	\$ -
Reserve Fund	2,255,072	2,730,093	-	-
Vehicle Program	959,968	1,079,847	845,976	898,264
Property Program	451,402	443,889	839,987	844,582
Legal Defense Program	555,152	555,121	467,415	411,635
Life Benefit Account	111,582	124,779	18,747	17,225
Workers' Compensation Program	1,567,142	1,063,486	1,346,404	1,393,038
Firefighters Plan	102,342	109,483	8,032	7,422
Health Benefit Program	428,592	617,407	385,184	393,516
MOPEBT	7,390	10,747	-	-
	<u>\$ 6,866,963</u>	<u>\$ 7,161,880</u>	<u>\$ 3,911,745</u>	<u>\$ 3,965,682</u>

**NOTE 6: OTHER RELATED PARTY TRANSACTIONS**

In addition to paying the service fee and reserve fee, certain Benefit Programs reimburse the General Operating Fund for a portion of personnel costs incurred related to their administration. For the years ended December 31, 2023 and 2022, these reimbursements, which are netted against salaries and employee benefits in the statements of revenues, expenditures and changes in net position – modified cash basis, are as follows:

	<u>2023</u>	<u>2022</u>
Vehicle Program	\$ 321,890	\$ 302,794
Legal Defense Program	2,227,113	2,089,860
Workers' Compensation Program	1,056,296	941,169
Health Benefit Program	1,971,977	1,903,454
	<u>\$ 5,577,276</u>	<u>\$ 5,237,277</u>

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 6: OTHER RELATED PARTY TRANSACTIONS (Continued)**

A portion of personnel costs attributable to certain employees of the League who are directly involved in the administration of certain Benefit Programs are paid from the General Operating and Reserve Funds. The Benefit Programs do not reimburse the General Operating and Reserve Funds for these amounts, which are reported as operating subsidies – personnel costs in the statements of revenues, expenditures and changes in net position – modified cash basis and are as follows for the years ended December 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Vehicle Program	\$ 102,057	\$ 98,684
Legal Defense Program	233,311	225,002
Workers' Compensation Program	150,019	77,655
Health Benefit Fund	136,368	123,821
	<b>\$ 621,755</b>	<b>\$ 525,162</b>

During the years ended December 31, 2023 and 2022, the Reserve Fund paid subsidies to certain programs to cover excessive claims, reinsurance premiums or other costs in an effort to stabilize the amount of dues that must be paid by members as follows:

	<b>2023</b>	<b>2022</b>
Vehicle Program	\$ 193,771	\$ 198,468
Property Program	2,276,678	2,574,842
Workers' Compensation Program	31,460	121,824
Health Benefit Program	481,730	4,249,076
	<b>\$ 2,983,639</b>	<b>\$ 7,144,210</b>

All amounts paid by the General Operating and Reserve Funds are subject to change annually at the discretion of the Executive Committee.

Certain employees of the League perform accounting, legal and other administrative duties for the League and its Benefit Programs. Personnel costs associated with these employees are paid by the General Operating Fund and are not reported in the financial statements of the respective Benefit Programs as management of the League believes such amounts are not readily determinable and would not be material to the Benefit Programs' financial statements. During the years ended December 31, 2023 and 2022, respectively, \$1,232,734 and \$1,066,230 were transferred to the General Operating Fund from the Reserve Fund to cover a portion of these personnel costs.

All investment advisory service fees are paid to Stephens, Inc. by the Reserve Fund. For the years ended December 31, 2023 and 2022, investment advisory service fees for all benefit programs and funds managed by the League totaled \$359,928 and \$393,321, respectively.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 7: RETIREMENT PLAN**

Plan Description

Employees of the League that meet certain eligibility requirements participate in Arkansas Public Employees 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 service. 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 League'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.

Contributions

Plan participants hired after July 1, 2005, are required to contribute 5.50% (5.25% prior to July 1, 2023 and 5.00% prior to July 1, 2022) of their annual covered salary, and the League 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 period from January 1, 2022 through December 31, 2023. Contribution requirements are set forth in state statute. The League's total contributions for the Plan years ended June 30, 2023 and 2022 for all covered employees were \$1,109,214 and \$1,083,926 respectively, which were equal to required contributions. The League's proportionate share of contributions for employees directly involved in management and operation of the League Funds for the Plan years ended June 30, 2023 and 2022, was \$513,566 and \$501,966 respectively.

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 League's proportionate share of the total collective net pension liability of all employers participating in APERS was \$9,519,688 and \$9,126,178 at June 30, 2023 and 2022, respectively. Management estimates that the portion of the liability attributable to employees directly involved in management and operation of the League Funds was \$4,407,616 and \$4,202,879, at June 30, 2023 and 2022, respectively.

**Arkansas Municipal League**  
**General Operating Fund**  
**Capital Reserve Fund**  
**Reserve Fund**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 8: RISK MANAGEMENT**

The League is exposed to various levels of loss related to personal and property injury; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The League participates in the Benefit Programs it manages to address these risks. Amounts paid for participation in the individual Benefit Programs during the years ended December 31 are as follows:

	<b>2023</b>	<b>2022</b>
Vehicle Program	\$ 3,902	\$ 368
Property Program	32,203	27,195
Workers' Compensation Program	11,808	8,329
Health Benefit Fund	909,065	852,865
	\$ 956,978	\$ 888,757





**Arkansas Municipal League  
Municipal Legal Defense Program**

**Financial Statements  
December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

# Arkansas Municipal League Municipal Legal Defense Program

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Assets, Liabilities and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	7



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Municipal Legal Defense Program  
North Little Rock, Arkansas

Program Administrator and Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### Opinion

We have audited the modified cash basis financial statements of the **Municipal Legal Defense Program (the Program)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2023 and 2022, and the related statements of revenues, expenditures and changes in net position – modified cash basis for the years then ended, and the related notes to the financial statements. The Program is a benefit program managed by the Arkansas Municipal League (the League), subject to oversight by the members of the Board of Trustees of the Program.

In our opinion, the accompanying financial statements present fairly, in all material respects, the modified cash basis financial position of the Program as of December 31, 2023 and 2022, and the changes in its modified cash basis financial position for the years 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 audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe 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 these 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 the 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.

Members of the Board of Trustees  
Municipal Legal Defense Program

Program Administrator and Management  
Arkansas Municipal League

### **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 U.S. GAAS 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 U.S. GAAS, 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 Program's 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 the Program's 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 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.

Members of the Board of Trustees  
Municipal Legal Defense Program

Program Administrator and Management  
Arkansas Municipal League

**Emphasis of Matter – Reporting Entity**

As disclosed in Note 1 to the financial statements, these financial statements present only balances and transactions that are directly attributable to the Program and are not intended to present and do not present the financial position or results of operations of the League or any other program managed by the League.

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive style, and "PLC" is written in a more upright, blocky cursive style.

Little Rock, Arkansas  
July 31, 2024

## **Financial Statements**

# Arkansas Municipal League Municipal Legal Defense Program

Statements of Assets, Liabilities and Net Position—Modified Cash Basis  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,114,679	\$ 3,170,187
Investments	<u>8,156,593</u>	<u>9,612,344</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 13,271,272</u></u>	<u><u>\$ 12,782,531</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Unearned annual fees	<u>\$ 2,054,036</u>	<u>\$ 1,803,907</u>
<b>Net Position</b>	<u>11,217,236</u>	<u>10,978,624</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 13,271,272</u></u>	<u><u>\$ 12,782,531</u></u>

See accompanying notes to financial statements.

## Arkansas Municipal League Municipal Legal Defense Program

Statements of Revenues, Expenditures and Changes in Net Position—Modified Cash Basis  
Years Ended December 31, 2023 and 2022

	2023	2022
<b>OPERATING REVENUES</b>		
Annual fees	\$ 4,799,320	\$ 4,275,958
Advance deposits	186,000	270,000
<b>Total Operating Revenues</b>	4,985,320	4,545,958
<b>OPERATING EXPENDITURES</b>		
Judgments and settlements, net	317,438	617,949
Service fee	555,152	555,121
Reserve fee	467,415	411,635
Personnel costs	2,460,424	2,314,862
Legal fees and court costs	1,329,527	814,978
Drug and alcohol program charges	155,641	174,631
Other	328,414	275,543
<b>Total Operating Expenditures</b>	5,614,011	5,164,719
<b>Operating Loss before Subsidies</b>	(628,691)	(618,761)
<b>SUBSIDIES</b>		
Operating subsidy - personnel costs	233,311	225,002
<b>Total Subsidies</b>	233,311	225,002
<b>Net Operating Loss</b>	(395,380)	(393,759)
<b>NONOPERATING REVENUES (EXPENDITURES), NET</b>		
Investment income	296,939	907,949
Other income	384,431	306,481
Investment fees	(47,378)	(50,575)
<b>Total Nonoperating Revenues, Net</b>	633,992	1,163,855
<b>INCREASE IN NET POSITION</b>	238,612	770,096
<b>NET POSITION, BEGINNING OF YEAR</b>	10,978,624	10,208,528
<b>NET POSITION, END OF YEAR</b>	\$ 11,217,236	\$ 10,978,624

See accompanying notes to financial statements.



# Arkansas Municipal League

## Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The Arkansas Municipal League (the League) is a voluntary group of Arkansas cities and towns, founded in 1934. The League provides a variety of services and benefits to its members, including legislative advocacy, risk management and benefit programs, training and educational opportunities and informational publications. The Municipal Legal Defense Program (the Program) was established by the League in 1979 as a risk sharing pool to provide defense against covered legal action brought upon participating municipalities, which include cities, towns and other eligible governmental entities. The terms and conditions of the Program are set forth in the Program Brochure. During the years ended December 31, 2023 and 2022, respectively, 467 and 466 municipalities were participating in the Program.

The Program provides legal defense services and covers certain expenses related to suits against municipal officials and employees and civil rights suits against the municipal governments of participating municipalities. The Program's liability is limited to 90% of any judgment for compensatory or actual damages, settlement amounts, court costs and attorney fees. The Program also pays extraordinary judgments for actual damages imposed on municipal officials, employees and the municipal governments, subject to a limit for the payment of damages and expenses of not more than 25% of the Program's available funds at the time the lawsuit was filed or the judgment becomes final, or \$1,000,000, whichever is less. The Program's liability for wrongful termination or harassment lawsuits is limited to 50% of the judgment or \$500,000, whichever is less. Punitive damages are not covered by the Program. Other exclusions from coverage and limitations on the Program's liability for loss are further explained in the Program Brochure.

The assets of the Program are held in the Municipal League Defense Program Trust, a self-funded risk management trust approved by the Executive Committee of the League (the Executive Committee) in November 2018.

The Executive Director of the League is designated as the Program Administrator, and the League provides all facilities, personnel and services necessary for the administration of the Program. The operations of the Program are subject to oversight provided by the Municipal Legal Defense Program Board of Trustees. The assets of the Program are segregated from the League's assets and the assets of other programs managed by the League, and the League is not responsible for any obligations incurred by the Program. In the event of termination of the Program, any assets remaining after all Program obligations are satisfied will be distributed to the participating municipalities on a pro-rata basis. Any termination and distribution of assets shall comply with all federal and state laws.

These financial statements present only balances and transactions that are directly attributable to the Program and are not intended to present and do not present the financial position or results of operations of the League or any other benefit program or funds managed by the League.

# Arkansas Municipal League Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus and Basis of Accounting**

The Program 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 or loss, 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 Program.

Transactions of the Program 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. Generally, non-cash transactions are not reported by the Program. Therefore, these financial statements do not report amounts receivable for annual fees billed but not collected or investment income earned but not received. In addition, these financial statements do not report liabilities or expenditures for goods or services received before year end for which payment has not yet been made. Expenditures related to judgments and settlements are reported as expenditures in the period in which they are paid. Reimbursements due from participating municipalities for judgment and settlement amounts or other costs paid by the Program that will ultimately not be covered by the Program are reported in the period the related judgments or settlements are paid and are netted against judgments and settlements. Investments are reported at cost, rather than fair value.

### **Basis of Presentation**

Net position is categorized into amounts restricted and unrestricted, as applicable. As of December 31, 2023 and 2022, there were no restrictions on the net position of the Program.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statements of revenues, expenditures and changes in net position – modified cash basis. Operating revenues consist of annual fees and advance deposits collected from participating municipalities, and operating expenditures include costs related to payment of judgments and settlements (net of reimbursements), personnel costs, legal fees, court costs and other administrative costs. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing activities and other transactions that do not occur in the normal course of operations.

# Arkansas Municipal League Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of an interest-bearing deposit account maintained with a financial institution and equity in two pooled cash management accounts, which are interest-bearing deposit accounts maintained with financial institutions by the League for the benefit of certain funds and benefit programs managed by the League.

### **Investments**

To maximize investment opportunities and returns, the League pools the resources of certain funds and programs under its management in several internal investment pools, each of which has a different asset mix and investment strategy. An internal investment pool is an arrangement that comingles the moneys of more than one fund within one legal entity. The underlying investments that comprise the internal investment pools may include marketable equity securities, obligations of the U.S. government, obligations of U.S. government agencies and government-sponsored entities, mutual funds, exchange traded funds, alternative investments and investments in certain other debt securities, as approved by the Executive Committee.

Investments of the Program consist of ownership interests in these internal investment pools managed by the League. While the Program owns a participating interest in the pools, it does not own the underlying securities. Amounts invested by the Program in the internal investment pools are generally reported at cost on the statements of assets, liabilities and net position – modified cash basis. Net investment income (or loss) earned by the pools and certain investment fees are allocated to the Program and other pool participants on a pro-rata basis and are recorded as increases or decreases in the cost of the investment.

### **Annual Fees**

Municipal entities must pay annual fees in order to participate in the Program. Per capita fee rates vary based on the latest census count and historical cumulative loss experience. The rate structure is evaluated each year by the Program Administrator and presented to the Board of Trustees for consideration and approval. Annual fees received in advance of the coverage period to which they apply are reported as unearned annual fees on the statements of assets, liabilities and net position – modified cash basis.

### **Advance Deposits**

Each participating municipality is required to pay in advance the first \$3,000 or \$5,000 of the aggregate cost (depending on the type of entity), including legal fees, related to each covered lawsuit against the municipality, municipal officials or employees. This advance deposit is not refundable and is reported as revenue in the period in which it is collected.

# Arkansas Municipal League Municipal Legal Defense Program

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Judgments and Settlements, Net**

Judgment and settlement expenditures include payments for actual damages imposed against participating municipalities, their municipal officials and employees, as well as settlement payments on behalf of those same parties. Judgments and settlements are reported net of related reimbursements received or receivable from the participating municipality. Reimbursements attributable to 2023 and 2022 judgments and settlements totaled approximately \$44,000 and \$182,000, respectively.

Reimbursements receivable are reported in the event that amounts related to judgment and settlement expenditures are due from participating municipalities but have not been collected at the reporting date. At December 31, 2023 and 2022, there were no such amounts due to the Program.

**Tax Status**

The Program is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Estimates**

The preparation of financial statements in conformity 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 2: DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents**

At December 31, cash and cash equivalents consist of the following:

	<b>2023</b>	<b>2022</b>
Interest-bearing deposit account	\$ 1,000,914	\$ 393,217
Equity in pooled cash management accounts	4,113,765	2,776,970
	\$ 5,114,679	\$ 3,170,187

The Program’s interest-bearing deposit account, the pooled cash management accounts and the interest-bearing deposit accounts of other funds and benefit programs managed by the League that are maintained at the same financial institution are insured by the Federal Deposit Insurance Corporation (FDIC), and any balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institutions and held in the name of the League or irrevocable standby letters of credit issued by the Federal Home Loan Bank in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League.

# Arkansas Municipal League Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 2: DEPOSITS AND INVESTMENTS**

### **Investments**

The Executive Committee has created and appointed members of an investment subcommittee to establish investment guidelines, review and evaluate investment results, and make recommendations on investment matters pertaining to investing activities of the League and certain funds and benefit programs under management of the League. The Investment Policy Statement (the Policy), adopted by the League at the recommendation of the investment subcommittee, as amended, sets forth basic investment objectives and philosophies. The requirements of the Policy are applied to the investment portfolio managed by the League for all funds and certain benefit programs managed by the League.

The Policy specifies that the primary investment objective is to earn the highest possible return consistent with prudent levels of risk. In general, the Policy sets forth limitations and guidelines on industry concentrations and investment ratings. With respect to equity securities, no single equity security may exceed 10% of the aggregate fair value of all securities in the account in which that equity security is held. In addition, concentrations in any one economic sector are limited to 30% of the aggregate fair value of all securities in that account. With respect to debt securities, a minimum credit rating of A3/A- is generally required, with certain exceptions. With the exception of securities that are direct or guaranteed obligations of the U.S. government, concentrations with respect to any one issuer may not exceed 5% of the aggregate fair value of all securities in the account in which that debt security is held. Alternative investments are limited to 15% of the fair value of all the League's investments.

The table on the page that follows provides detailed information about the internal investment pools in which the Program's assets are invested as of December 31, 2023 and 2022, including estimated fair values. Fair values of the underlying securities that comprise the pools are determined by independent pricing sources. The fair values of equity securities are based on unadjusted quoted prices for those securities in the active markets on which they are traded. The fair values of debt securities are estimated using pricing models that consider various assumptions about interest rates, timing of cash flows and other market-related factors.

# Arkansas Municipal League Municipal Legal Defense Program

## Notes to Financial Statements December 31, 2023 and 2022

### **NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

#### **Investments (Continued)**

At December 31, the Program's ownership interest in each pool is as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
<b>Equity Securities</b>				
Russell 3000 Account	\$ 1,033,310	\$ 4,293,286	\$ 1,033,310	\$ 3,406,039
Large Cap Growth Account	1,231,787	1,795,549	1,227,995	1,563,338
Wellington Management Accounts:				
Large Growth	1,337,215	2,012,426	1,352,135	1,438,708
Enduring Assets	-	-	1,458,861	1,563,071
International Quality Growth	883,693	1,086,872	867,963	959,032
Stephens Opportunistic Account	-	-	148,565	136,456
<b>Money Market Mutual Funds</b>				
Stephens Opportunistic Account	1,444,316	1,444,316	-	-
<b>Debt Securities</b>				
Passive Bond Market Account	1,617,500	1,848,889	1,617,500	1,754,772
Arkansas Bond Account	608,772	596,339	588,571	564,034
Stephens Opportunistic Account	-	-	1,317,444	1,210,063
	<u>\$ 8,156,593</u>	<u>\$ 13,077,677</u>	<u>\$ 9,612,344</u>	<u>\$ 12,595,513</u>

More detailed information about the internal investment pools, investment policies and required custodial and credit risk disclosures is included in the League's audited financial statements and related footnotes, which can be obtained by contacting the Arkansas Municipal League, 301 West 2<sup>nd</sup> Street, North Little Rock, Arkansas 72114.

### **NOTE 3: TRANSACTIONS WITH THE LEAGUE**

The League maintains a supplemental aggregate reserve (the Reserve Fund) to cover significant, extraordinary judgments or settlements and other operational costs of the Program and other benefit programs managed by the League. Each benefit program covered by the Reserve Fund is assessed an annual reserve fee. For each of the years ended December 31, 2023 and 2022, the fee attributable to the Program was 10% of expected annual fees for the year, payable in May.

The League charges a service fee to recover costs other than those related to payroll incurred in the administration of the Program and other benefit programs managed by the League. The service fee for the years ended December 31, 2023 and 2022, was 3% of the fair value of the Program's total assets on February 29, payable in March.

# Arkansas Municipal League Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 3: TRANSACTIONS WITH THE LEAGUE (Continued)**

The Program reimburses the League for a portion of personnel costs attributable to employees of the League who are directly involved in the administration of the Program. These reimbursements totaled \$2,227,113 and \$2,089,860 during the years ended December 31, 2023 and 2022, respectively. In addition, a portion of personnel costs attributable to certain employees of the League who are directly involved in the administration of the Program are paid directly from the League's General Operating and Reserve Funds and are not reimbursed by the Program. Amounts paid by the League's General Operating and Reserve Funds are subject to change annually at the discretion of the Executive Committee. These amounts, which totaled \$233,311 and \$225,002 during the years ended December 31, 2023 and 2022, respectively, are reported in the Program's financial statements as operating subsidy – personnel costs.

Certain employees of the League perform accounting and other administrative duties for the Program. Personnel costs associated with these employees are paid by the League's General Operating Fund and are not reported in the Program's financial statements as management of the League believes such amounts are not readily determinable and would not be material to the Program's financial statements.

The Executive Committee has voted that the Reserve Fund would reimburse the Program for individual judgments or settlements paid in excess of \$600,000. However, during the years ended December 31, 2023 and 2022, there were no judgments or settlements eligible for reimbursement.

The Program performs litigation services for the Municipal Vehicle Program related to Part I Bodily Injury Claims. The Municipal Vehicle Program does not compensate the Program for these services and the value of such services cannot be reasonably estimated.

All investment advisory service fees are paid by the Reserve Fund. For the years ended December 31, 2023 and 2022, investment advisory fees for all benefit programs and funds managed by the League totaled \$359,928 and \$393,321, respectively.

## **NOTE 4: RETIREMENT PLAN**

### Plan Description

Employees of the League that meet certain eligibility requirements participate in Arkansas Public Employees Retirement System ("APERS" or "the Plan"), 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 service. 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.

# Arkansas Municipal League Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 4: RETIREMENT PLAN (Continued)**

### Plan Description (Continued)

Although reporting the 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.

### Contributions

Plan participants hired after July 1, 2005 are required to contribute 5.25% (5.00% prior to July 1, 2022) of their annual covered salary, and the League 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 period from January 1, 2022 through December 31, 2023. Contribution requirements are set forth in state statute. The League's proportionate share of contributions for employees directly involved in management and operation of the Program for the Plan years ended June 30, 2023 and 2022 totaled \$252,013 and \$230,226, respectively. These amounts were equal to the required contributions for each Plan year.

### 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 League's proportionate share of the total collective net pension liability of all employers participating in APERS was \$9,519,688 and \$9,126,178 at June 30, 2023 and 2022, respectively. Management estimates that the portion of this liability attributable to employees directly involved in management and operation of the Program was \$2,162,873 and \$1,938,527 at June 30, 2023 and 2022, respectively.

## **NOTE 5: OTHER INCOME**

Pursuant to the terms of the Arkansas Counties and Cities Attorney Fee Split Agreement (the Agreement), which was signed on September 19, 2022, 16% of the attorneys' fees allocated to the cities and towns of Arkansas for settlement of the joint opioid litigation has been apportioned to the Arkansas Municipal League for the League's work on behalf of the cities and towns of Arkansas in that joint opioid litigation. During the years ended December 31, 2023 and 2022, the Program received \$384,431 and \$306,481, respectively, from the National Opioid Settlement Fund representing the attorneys' fees apportioned to the Arkansas Municipal League. These amounts are considered nonoperating revenue and are reflected as other income in the Program's statement of revenues, expenditures and changes in net position – modified cash basis. The Program is expected to receive attorneys' fees payments over the next 10 to 18 years, and management estimates the total to be received could be approximately \$6,000,000. These amounts will be reflected in the Program's financial statements as they are received.



# Arkansas Municipal League Municipal Legal Defense Program

Notes to Financial Statements  
December 31, 2023 and 2022

## ***NOTE 6: COMMITMENTS AND CONTINGENCIES***

The Program is involved in providing legal defense services for participating municipalities as lawsuits arise in the normal course of business, subject to the terms and conditions set forth in the Program Brochure. At December 31, 2023, various participating municipalities and their elected officials and employees are involved in litigation or disputes that may ultimately result in a monetary judgment or settlement amount to be paid by the Program. Management of the League represents that a reliable estimate of such amount cannot be readily determined for disclosure in the notes to the financial statements. Such amount may be significant to the Program.



**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Financial Statements  
December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Assets, Liabilities and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	8



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Municipal Health Benefit Program Trust  
North Little Rock, Arkansas

Program Administrator and Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### Opinions

We have audited the modified cash basis financial statements of the **Municipal Health Benefit Program (the Health Benefit Program)** and the **Municipal Health Benefit Program – Life Benefit Account (the Life Benefit Account)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2023 and 2022, and the statements of revenues, expenditures and changes in net position – modified cash basis for the years then ended, and the related notes to the financial statements. Collectively, the financial statements of the Health Benefit Program and the Life Benefit Account comprise the financial statements of the **Municipal Health Benefit Program Trust (the Trust)**. The Health Benefit Program and Life Benefit Account are benefit programs managed by the Arkansas Municipal League (the League).

In our opinion, the financial statements present fairly, in all material respects, the modified cash basis financial position of the **Municipal Health Benefit Program** and the **Municipal Health Benefit Program – Life Benefit Account**, which collectively comprise the **Municipal Health Benefit Trust**, as of December 31, 2023 and 2022, and the respective changes in their modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Health Benefit Program and the Life Benefit Account and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the modified cash basis of accounting described in Note 1 to the financial statements and for 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.

Members of the Board of Trustees  
Municipal Health Benefit Program Trust  
Program Administrator and Management  
Arkansas Municipal League

### **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 U.S. GAAS 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 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 U.S. GAAS, 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 internal control of the Health Benefit Program or the Life Benefit Account. 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 the ability of the Health Benefit Program and the Life Benefit Account to continue as going concerns for a reasonable period of time.

We are required to communicate to 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 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.

Members of the Board of Trustees  
Municipal Health Benefit Program Trust  
Program Administrator and Management  
Arkansas Municipal League

**Emphasis of Matter – Reporting Entity**

As described in Note 1 to the financial statements, these financial statements present only balances and transactions that are directly attributable to the Health Benefit Program and the Life Benefit Account, which collectively comprise the Trust, and are not intended to present and do not present the financial position or results of operations of the League or any other program managed by the League.

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

Little Rock, Arkansas  
April 10, 2024

## **Financial Statements**

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Statements of Assets, Liabilities and Net Position - Modified Cash Basis  
December 31, 2023 and 2022**

	<b>2023</b>			<b>2022</b>		
	<u>Health Benefit Program</u>	<u>Life Benefit Account</u>	<u>Trust Total</u>	<u>Health Benefit Program</u>	<u>Life Benefit Account</u>	<u>Trust Total</u>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 2,444,224	\$ 382,695	\$ 2,826,919	\$ 2,505,293	\$ 159,811	\$ 2,665,104
Investments	<u>12,423,468</u>	<u>2,542,018</u>	<u>14,965,486</u>	<u>12,837,218</u>	<u>2,863,855</u>	<u>15,701,073</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,867,692</u>	<u>\$ 2,924,713</u>	<u>\$ 17,792,405</u>	<u>\$ 15,342,511</u>	<u>\$ 3,023,666</u>	<u>\$ 18,366,177</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>Current Liabilities</b>						
Premiums payable	\$ 31,710	\$ -	\$ 31,710	\$ 28,537	\$ -	\$ 28,537
Unearned membership fees	<u>1,496,331</u>	<u>-</u>	<u>1,496,331</u>	<u>1,252,848</u>	<u>-</u>	<u>1,252,848</u>
<b>Total Liabilities</b>	<u>1,528,041</u>	<u>-</u>	<u>1,528,041</u>	<u>1,281,385</u>	<u>-</u>	<u>1,281,385</u>
<b>Net Position</b>	<u>13,339,651</u>	<u>2,924,713</u>	<u>16,264,364</u>	<u>14,061,126</u>	<u>3,023,666</u>	<u>17,084,792</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 14,867,692</u>	<u>\$ 2,924,713</u>	<u>\$ 17,792,405</u>	<u>\$ 15,342,511</u>	<u>\$ 3,023,666</u>	<u>\$ 18,366,177</u>

See accompanying notes to financial statements.



**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis  
Years Ended December 31, 2023 and 2022**

	<b>2023</b>			<b>2022</b>		
	<b>Health Benefit Program</b>	<b>Life Benefit Account</b>	<b>Trust Total</b>	<b>Health Benefit Program</b>	<b>Life Benefit Account</b>	<b>Trust Total</b>
<b>OPERATING REVENUES</b>						
Membership fees	\$ 85,659,787	\$ -	\$ 85,659,787	\$ 80,366,650	\$ -	\$ 80,366,650
<b>Total Operating Revenues</b>	<b>85,659,787</b>	<b>-</b>	<b>85,659,787</b>	<b>80,366,650</b>	<b>-</b>	<b>80,366,650</b>
<b>OPERATING EXPENDITURES</b>						
Claims paid, net	80,059,006	50,000	80,109,006	83,967,629	30,000	83,997,629
Service fee	428,592	111,584	540,176	617,407	124,779	742,186
Reserve fee	385,184	18,747	403,931	393,516	17,225	410,741
Insurance premiums	719,475	-	719,475	1,022,099	-	1,022,099
Pharmacy administrative service fee	305,573	-	305,573	217,812	-	217,812
Claim consultant fees	1,396,544	-	1,396,544	1,557,479	-	1,557,479
Personnel costs	2,108,345	-	2,108,345	2,027,275	-	2,027,275
Professional services	1,283,433	-	1,283,433	895,762	-	895,762
Other	679,584	-	679,584	771,634	-	771,634
<b>Total Operating Expenditures</b>	<b>87,365,736</b>	<b>180,331</b>	<b>87,546,067</b>	<b>91,470,613</b>	<b>172,004</b>	<b>91,642,617</b>
<b>Operating Loss before Subsidies and Transfers</b>	<b>(1,705,949)</b>	<b>(180,331)</b>	<b>(1,886,280)</b>	<b>(11,103,963)</b>	<b>(172,004)</b>	<b>(11,275,967)</b>

*(Continued)*

See accompanying notes to financial statements.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis (Continued)  
Years Ended December 31, 2023 and 2022**

	2023			2022		
	Health Benefit Program	Life Benefit Account	Trust Total	Health Benefit Program	Life Benefit Account	Trust Total
<b>SUBSIDIES AND TRANSFERS</b>						
Operating subsidies - personnel costs	\$ 136,368	\$ -	\$ 136,368	\$ 123,821	\$ -	\$ 123,821
Operating subsidies - reserve	481,730	-	481,730	4,249,076	-	4,249,076
Operating transfers - dependent life fees	(51,300)	51,300	-	(46,874)	46,874	-
<b>Total Subsidies and Transfers</b>	<b>566,798</b>	<b>51,300</b>	<b>618,098</b>	<b>4,326,023</b>	<b>46,874</b>	<b>4,372,897</b>
<b>Net Operating Loss</b>	<b>(1,139,151)</b>	<b>(129,031)</b>	<b>(1,268,182)</b>	<b>(6,777,940)</b>	<b>(125,130)</b>	<b>(6,903,070)</b>
<b>NONOPERATING REVENUES (EXPENDITURES), NET</b>						
Investment income, net	424,045	40,922	464,967	367,264	140,600	507,864
Investment fees	(6,369)	(10,844)	(17,213)	(7,988)	(11,683)	(19,671)
<b>Total Nonoperating Revenues, Net</b>	<b>417,676</b>	<b>30,078</b>	<b>447,754</b>	<b>359,276</b>	<b>128,917</b>	<b>488,193</b>
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>(721,475)</b>	<b>(98,953)</b>	<b>(820,428)</b>	<b>(6,418,664)</b>	<b>3,787</b>	<b>(6,414,877)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>14,061,126</b>	<b>3,023,666</b>	<b>17,084,792</b>	<b>20,479,790</b>	<b>3,019,879</b>	<b>23,499,669</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 13,339,651</b>	<b>\$ 2,924,713</b>	<b>\$ 16,264,364</b>	<b>\$ 14,061,126</b>	<b>\$ 3,023,666</b>	<b>\$ 17,084,792</b>

See accompanying notes to financial statements.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Arkansas Municipal League (the League) is a voluntary group of Arkansas cities and towns, founded in 1934. The League provides a variety of services and benefits to its members, including legislative advocacy, risk management and benefit programs, training and educational opportunities and informational publications. The Municipal Health Benefit Program Trust (the Trust) was established by the League in November 1981 to provide group life, dependent life and accidental death and dismemberment benefits, as well as disability income, health, vision, dental and post-employment benefits for employees, former employees, officials and former officials of participating municipalities, which include cities, towns and other governmental entities. Oversight of the Trust is the responsibility of a five-member Board of Trustees. The Trust, and the benefit programs offered under the Trust, will continue in perpetuity until the Executive Committee of the League (the Executive Committee) determines that it is no longer of benefit to or in the best interests of the participating members to continue the Trust. The Trust Agreement may be amended at any time by the Trustees or the Executive Committee. In the event of termination of the Trust, any assets remaining after all obligations are satisfied will be distributed to the participating municipalities on a pro-rata basis. Any termination and distribution of assets shall comply with federal and state laws.

The Executive Director of the League is designated as the Program Administrator of the Trust, and the League provides all facilities, personnel and services necessary for the administration of the Trust. The assets of the Trust are segregated from the League's assets, and the League is not responsible for any obligations incurred by the Trust.

The Municipal Health Benefit Program (the Health Benefit Program) is a benefit program established under the Trust to account for all transactions and balances related to enrollment, collection of membership fees from participating municipalities, and administration and payment of health, vision, and dental claims for employees, officials and their covered dependents. Benefits are also available to eligible retirees and their dependents. Claims related to vision and employee and municipal official life and accidental death and dismemberment are covered under group insurance policies with commercial insurers, and premiums related to these policies are paid by the Health Benefit Program. The Municipal Health Benefit Program – Life Benefit Account (the Life Benefit Account) is a benefit program established under the Trust to segregate assets for and pay claims related to dependent life benefits, which are not covered under the Health Benefit Program.

In the event a claim is denied, and such denial is appealed by the affected member, claim denial appeal decisions made by the Executive Committee are final and binding.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reporting Entity (Continued)**

These financial statements present only balances and transactions that are directly attributable to the Health Benefit Program and the Life Benefit Account, which collectively comprise the Trust, and are not intended to present and do not present the financial position or results of operations of the League or any other benefit program managed by the League.

The terms and conditions of participation in the Health Benefit Program are set forth in the *Municipal Health Benefit Program Booklet* (the Booklet). At December 31, 2023, 300 municipal entities were participating in the Health Benefit Program, of which 193 were cities and towns. Covered lives at December 31, 2023, totaled 18,030 of which 12,308 were city and town employees, elected officials and their dependents. At December 31, 2022, there were 301 participating municipal entities, of which 195 were cities and towns. Covered lives at December 31, 2022, totaled 17,485, of which 11,787 were city and town employees, elected officials and their dependents.

**Measurement Focus and Basis of Accounting**

The Health Benefit Program and the Life Benefit Account are operated as enterprise funds. 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 Health Benefit Program and the Life Benefit Account.

Transactions of the Health Benefit Program and Life Benefit Account 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. Generally, non-cash transactions are not reported. Therefore, these financial statements do not report amounts receivable for annual fees due from participating municipalities or investment income earned but not received. In addition, these financial statements do not reflect liabilities or expenditures for goods or services received or for claims incurred before year end for which payment has not yet been made.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

Net position is categorized into amounts restricted and unrestricted, as applicable. As of December 31, 2023 and 2022, there were no restrictions on the net position of the Health Benefit Program or the Life Benefit Account.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statements of revenues, expenditures and changes in net position – modified cash basis. Operating revenues consist of annual fees collected from participating municipalities, and operating expenditures include costs related to payment of claims, group insurance policy premiums and other administrative costs. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing activities.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of an interest-bearing deposit account maintained with a financial institution, a money market mutual fund, and equity in two pooled cash management accounts, which are interest-bearing deposit accounts maintained with a financial institution by the League for the benefit of certain funds and benefit programs managed by the League.

**Investments**

Investments of the Health Benefit Program consist of United States (U.S.) Treasury obligations, U.S. agency and government-sponsored entity obligations, corporate debt securities and municipal bonds, all held in a separate account by an agent of the League in the name of the League for the benefit of the Health Benefit Program. These investments are reported at cost on the statements of assets, liabilities and net position – modified cash basis. Premiums and discounts are not amortized or accreted; therefore, reported amounts of investment income include only cash received. Purchases and sales of investments are recorded when the transaction settles. Dividends, interest and realized gains (or losses) on sales of investments are reported as investment income, net, on the statements of revenue, expenditures and changes in net position – modified cash basis.

Investments of the Life Benefit Account consist of ownership interests in certain internal investment pools managed by the League. To maximize investment opportunities and returns, the League pools the resources of certain funds and benefit programs under its management in several internal investment pools, each of which has a different asset mix and investment strategy. An internal investment pool is an arrangement that commingles the moneys of more than one legal entity. The underlying investments that comprise the internal investment pools may include marketable equity securities, obligations of the U.S. government, obligations of U.S. government agencies and government-sponsored entities, mutual funds, exchange traded funds, alternative investments and investments in certain other debt securities, as approved by the Executive Committee.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

While the Life Benefit Account owns a participating interest in the pools, it does not own the underlying securities. Amounts invested by the Life Benefit Account in the internal investment pools are generally reported at cost in the statements of assets, liabilities and net position – modified cash basis. Net investment income (or loss) earned by the pools and certain investment fees are allocated to the Life Benefit Account and other pool participants on a pro-rata basis and are recorded as increases or decreases in the cost of the investment.

**Membership Fees**

Participating municipal entities pay membership fees, which vary based on historical loss ratios and benefit options selected. Membership fees are evaluated every six months by management of the League and are subject to approval by the Board of Trustees. Membership fees are billed monthly, and amounts received in advance of the period to which they apply are reported as unearned membership fees in the statements of assets, liabilities and net position – modified cash basis. Membership fees attributable to dependent life benefits in excess of related premiums paid to the commercial insurer are transferred from the Health Benefit Program to the Life Benefit Account.

**Claims Paid, Net**

Health Benefit Program claims include payments made for covered benefits, net of recoveries for overpayments, payments made in error and medical and prescription drug rebates. During the year ended December 31, 2023, recoveries totaled \$232,698, and rebates totaled \$3,596,281. During the year ended December 31, 2022, recoveries totaled \$229,153, and rebates totaled \$2,554,509. Life Benefit Account claims include payments made to members or their designated beneficiaries for dependent life benefits.

**Tax Status**

The Trust is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Estimates**

The preparation of financial statements in conformity 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.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents**

At December 31, 2023, cash and cash equivalents include the following:

	<b>2023</b>		
	<b>Health Benefit Program</b>	<b>Life Benefit Account</b>	<b>Total</b>
Interest-bearing deposit account	\$ 1,561,728	\$ -	\$ 1,561,728
Equity in pooled cash management accounts	421,145	382,695	803,840
Money market mutual fund	461,351	-	461,351
	<u>\$ 2,444,224</u>	<u>\$ 382,695</u>	<u>\$ 2,826,919</u>

At December 31, 2022, cash and cash equivalents include the following:

	<b>2022</b>		
	<b>Health Benefit Program</b>	<b>Life Benefit Account</b>	<b>Total</b>
Interest-bearing deposit account	\$ 2,097,075	\$ -	\$ 2,097,075
Equity in pooled cash management accounts	86,104	159,811	245,915
Money market mutual fund	322,114	-	322,114
	<u>\$ 2,505,293</u>	<u>\$ 159,811</u>	<u>\$ 2,665,104</u>

The interest-bearing deposit account, the pooled cash management accounts and the accounts of other funds and benefit programs managed by the League that are maintained at the same financial institution are insured up to Federal Deposit Insurance Corporation (FDIC) limits. The excess of the balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institution and held in the name of the League or irrevocable standby letters of credit issued by the Federal Home Loan Bank in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League.

The money market mutual funds are open-ended mutual funds rated Aaa-mf that invest primarily in U.S Treasury securities and U.S. Treasury Coupons. The open-ended mutual fund is not subject to custodial credit risk.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

***NOTE 2: DEPOSITS AND INVESTMENTS (Continued)***

**Investments**

The Executive Committee has created and appointed members of an investment subcommittee to establish investment guidelines, review and evaluate investment results, and make recommendations on investment matters pertaining to investing activities of the League and certain funds and benefit programs under management of the League. The Investment Policy Statement (the Policy), as amended sets forth basic investment objectives and philosophies. The requirements of the Policy are applied to the investment portfolio managed by the League for all funds and certain benefit programs managed by the League.

The Policy specifies that the primary investment objective is to earn the highest possible return consistent with prudent levels of risk. In general, the Policy sets forth limitations and guidelines on industry concentrations and investment ratings. With respect to equity securities, no single equity security may exceed 10% of the aggregate fair value of all securities in the account in which that equity security is held. In addition, concentrations in any one economic sector are limited to 30% of the aggregate fair value of all securities in that account. With respect to debt securities, a minimum credit rating of A3/A- is generally required, with certain exceptions. With the exception of securities that are direct or guaranteed obligations of the U.S. government, concentrations with respect to any one issuer may not exceed 5% of the aggregate fair value of all securities in the account in which that debt security is held. Alternative investments are limited to 15% of the fair value of all the League's investments.

Detailed information about investments held by the Health Benefit Program and the internal investment pools in which the Life Benefit Account assets are invested as of December 31, 2023 and 2022, including estimated fair values, is provided in the following tables. Fair values disclosed for the Health Benefit Program investments and the underlying securities that comprise the Life Benefit Account's internal investment pools are determined by independent pricing sources. The fair values of equity securities are based on unadjusted quoted prices for those securities in the active markets on which they are traded. The fair values of debt securities are estimated using pricing models that consider various assumptions about interest rates, timing of cash flows and other market-related factors.



**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

Health Benefit Program Investments

At December 31, the Health Benefit Program’s investment portfolio consists of the following:

	<b>2023</b>			
	<b>Cost <sup>(1)</sup></b>	<b>Fair Value</b>	<b>Weighted Average Life (Years)</b>	<b>Credit Rating</b>
U.S. Treasury obligations	\$ 5,144,294	\$ 5,057,583	1.44	Aaa/AA+
U.S. agency and government-sponsored entity obligations	3,057,430	2,841,394	6.80	Aaa/AA+
Corporate notes and bonds	3,877,453	3,450,943	4.10	Aa3/AA to Baa1/BBB+
Municipal bonds	344,291	322,234	3.73	Aaa/AAA
	<u>\$ 12,423,468</u>	<u>\$ 11,672,154</u>		
	<b>2022</b>			
	<b>Cost <sup>(1)</sup></b>	<b>Fair Value</b>	<b>Weighted Average Life (Years)</b>	<b>Credit Rating</b>
U.S. Treasury obligations	\$ 4,982,703	\$ 4,756,897	2.16	Aaa/AA+
U.S. agency and government-sponsored entity obligations	3,315,863	3,052,720	8.01	Aaa/AA+
Corporate notes and bonds	4,118,860	3,585,579	4.74	Aaa/AA+ to Baa1/BBB+
Municipal bonds	419,792	385,914	4.32	Aaa/AAA
	<u>\$ 12,837,218</u>	<u>\$ 11,781,110</u>		

<sup>(1)</sup> Historical cost. Does not include amortization/accretion of premiums/discounts.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

Life Benefit Account Investments

At December 31, the Life Benefit Account’s ownership interest in each individual pool is as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Equity Securities</b>				
Russell 3000 Account	\$ 167,460	\$ 695,777	\$ 167,460	\$ 551,988
Large Cap Growth Account	231,299	337,159	230,587	293,556
Wellington Management Accounts:				
Large Growth	301,540	453,800	304,905	324,427
Enduring Assets	-	-	328,972	352,471
International Quality Growth	199,272	245,088	195,725	216,261
<b>Debt Securities</b>				
Passive Bond Market Account	1,454,408	1,662,467	1,454,408	1,577,840
Arkansas Bond Account	188,039	184,255	181,798	174,274
	<u>\$ 2,542,018</u>	<u>\$ 3,578,546</u>	<u>\$ 2,863,855</u>	<u>\$ 3,490,817</u>

More detailed information about the internal investment pools, investment policies and required custodial and credit risk disclosures are included in the League’s audited financial statements and related footnotes, which can be obtained by contacting the Arkansas Municipal League, 301 West 2<sup>nd</sup> Street, North Little Rock, Arkansas 72114.

**NOTE 3: REINSURANCE PREMIUMS**

The Health Benefit Program insures a portion of its risk with commercial insurers through contractual agreements. Policies in effect during 2023 and 2022 provided benefits covering vision, loss of life and accidental death and dismemberment. A contingent liability may exist in the event that the insurer is unable to meet its obligation specified under the reinsurance agreement. Reinsurance does not relieve the Health Benefit Program from its obligations to participating municipalities.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 4: TRANSACTIONS WITH THE LEAGUE**

The League maintains a supplemental aggregate reserve (the Reserve Fund) to cover significant, extraordinary benefit claims and other operational costs of the Health Benefit Program, the Life Benefit Account and other benefit programs managed by the League. Each benefit program covered by the Reserve Fund is assessed an annual reserve fee. For the years ended December 31, 2023 and 2022, the fee attributable to the Health Benefit Program was \$4.00 per covered employee, per month. For the years ended December 31, 2023 and 2022, the fee attributable to the Life Benefit Account was 10% of annual income, payable in March.

The League charges a service fee to recover costs other than those related to payroll incurred in the administration of the Health Benefit Program and Life Benefit Account and other benefit programs managed by the League. During the years ended December 31, 2023 and 2022, the service fee for the Health Benefit Program was calculated as 3% of the fair value of total assets on December 31 of the preceding year, payable in January. During the years ended December 31, 2023 and 2022, the service fee for the Life Benefit Account was calculated as 3% of the fair value of total assets on February 28 and 29, respectively, payable in March.

The Health Benefit Program reimburses the League for a portion of personnel costs attributable to employees of the League who are directly involved in the administration of the Health Benefit Program and the Life Benefit Account. These reimbursements totaled \$1,971,977 and \$1,903,454 during the years ended December 31, 2023 and 2022, respectively. In addition, a portion of the personnel costs attributable to certain employees of the League who are directly involved in the administration of the Health Benefit Program are paid directly from the League's General Operating and Reserve Funds and are not reimbursed by the Health Benefit Program. Amounts paid by the League's General Operating and Reserve Funds are subject to change annually at the discretion of the Executive Committee. These amounts, which totaled \$136,368 and \$123,821 during the years ended December 31, 2023 and 2022, respectively, are reported in the Health Benefit Program's financial statements as operating subsidies – personnel costs.

Certain employees of the League perform accounting, legal and other administrative duties for the Trust. Personnel costs associated with these employees are paid by the League's General Operating Fund and are not reported in the Trust's financial statements as management of the League believes such amounts are not readily determinable and would not be material to the Trust's financial statements.

During the year ended December 31, 2023, the Executive Committee of the League voted that the Reserve Fund would reimburse the Program for amounts paid in excess of \$600,000 on individual claims paid during the period July 1, 2022 through June 30, 2023, and the Program received \$481,730 from the Reserve Fund for claims in excess of \$600,000.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 4: TRANSACTIONS WITH THE LEAGUE (Continued)**

During the year ended December 31, 2022, the Executive Committee voted that the Reserve Fund would provide a subsidy to the Health Benefit Program of \$4,249,076 in an effort to stabilize rates.

Employees of the League participate in benefits provided through the Health Benefit Program and the Life Benefit Account. Membership fees attributable to coverage provided to employees of the League totaled \$909,065 and \$852,865 for the years ended December 31, 2023 and 2022, respectively.

All investment advisory service fees are paid by the Reserve Fund.

**NOTE 5: RETIREMENT PLAN**

Although reporting the 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.

Plan Description

Employees of the League that meet certain eligibility requirements participate in the Arkansas Public Employees Retirement System (APERS or the Plan), 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 service. 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.

Contributions

Plan participants hired after July 1, 2005, are required to contribute 5.25% (5.00% prior to July 1, 2022) of their annual covered salary, and the League 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 period from January 1, 2022 through December 31, 2023. Contribution requirements are set forth in state statute. The League's proportionate share of contributions for employees directly involved in management and operation of the Health Benefit Program and the Life Benefit Account for the Plan years ended June 30, 2023 and 2022 was \$201,322 and \$214,726, respectively, which were equal to the required contributions for each year.

**Arkansas Municipal League  
Municipal Health Benefit Program  
and  
Municipal Health Benefit Program – Life Benefit Account**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 5: RETIREMENT PLAN (Continued)**

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 League's proportionate share of the total collective net pension liability of all employers participating in APERS was \$9,519,688 and \$9,126,178 at June 30, 2023 and 2022, respectively. Management estimates that the portion of this liability attributable to employees directly involved in management and operation to the Health Benefit Program and the Life Benefit Account was \$1,727,823 and \$1,808,014 at June 30, 2023 and 2022, respectively.

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

Management of the League does not report in the financial statements an estimate of the Health Benefit Program's obligation for claims incurred and reported before year end that were paid after year end (claims payable) or claims incurred before year end but not reported until after year end (IBNR). However, management does estimate the aggregate amount of claims payable and IBNR at each year end based on actual payments of claims related to events that occurred during the reporting period, but were paid or are expected to be paid in the subsequent reporting period. Estimated claims payable and IBNR at December 31, 2023, based on events that occurred during 2023 and actual payments related to those claims during the period from January 1, 2024 through March 31, 2024 and an estimate of claims to be paid from April 1, 2024 through December 31, 2024, totaled approximately \$12 million.



**Arkansas Municipal League  
Municipal Vehicle Program**

**Financial Statements  
December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

# Arkansas Municipal League Municipal Vehicle Program

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Assets, Liabilities and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	7



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Municipal Vehicle Program Trust  
North Little Rock, Arkansas

Program Administrator and Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### Opinion

We have audited the modified cash basis financial statements of the **Municipal Vehicle Program (the Program)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2023 and 2022, and the statements of revenues, expenditures and changes in net position – modified cash basis for the years then ended, and the related notes to the financial statements. The Program is a benefit program managed by the Arkansas Municipal League (the League), subject to oversight by the members of the Board of Trustees of the Program.

In our opinion, the financial statements present fairly, in all material respects, the modified cash basis financial position of the Program as of December 31, 2023 and 2022, and the changes in its modified cash basis financial position for the years 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 audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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.



Members of the Board of Trustees  
Municipal Vehicle Program Trust

Program Administrator and Management  
Arkansas Municipal League

### **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 U.S. GAAS 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 U.S. GAAS, 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 Program's 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 the Program's 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 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.

Members of the Board of Trustees  
Municipal Vehicle Program Trust

Program Administrator and Management  
Arkansas Municipal League

**Emphasis of Matter – Reporting Entity**

As disclosed in Note 1 to the financial statements, these financial statements present only balances and transactions that directly attributable to the Program and are not intended to and do not present the financial position or results of operation of the League or any benefit program managed by the League.

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive style, and "PLC" is written in a simpler, blocky font.

Little Rock, Arkansas  
June 27, 2024

## **Financial Statements**

# Arkansas Municipal League Municipal Vehicle Program

## Statements of Assets, Liabilities and Net Position – Modified Cash Basis December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,533,270	\$ 1,104,345
Investments	16,789,792	21,186,037
Reinsurance proceeds receivable	751,130	1,517,232
<b>TOTAL ASSETS</b>	<b>\$ 22,074,192</b>	<b>\$ 23,807,614</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>	\$ -	\$ -
<b>Net Position</b>	22,074,192	23,807,614
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 22,074,192</b>	<b>\$ 23,807,614</b>

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal Vehicle Program

## Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis Years Ended December 31, 2023 and 2022

	2023	2022
<b>OPERATING REVENUES</b>		
Annual fees	\$ 11,370,759	\$ 8,459,760
<b>OPERATING EXPENDITURES</b>		
Claims:		
Claims paid, net	10,670,090	8,935,519
Adjustors' charges	257,956	253,303
Total claims	10,928,046	9,188,822
Service fee	959,968	1,079,847
Reserve fee	845,976	898,264
Reinsurance premiums	721,148	504,303
Personnel costs	423,947	401,478
Computer contract services	8,280	7,066
Other	38,902	14,051
<b>Total Operating Expenditures</b>	13,926,267	12,093,831
<b>Operating Loss before Subsidies</b>	(2,555,508)	(3,634,071)
<b>SUBSIDIES</b>		
Operating subsidy - personnel costs	102,057	98,684
Operating subsidy - reinsurance premiums	193,771	198,468
<b>Total Subsidies</b>	295,828	297,152
<b>Net Operating Loss</b>	(2,259,680)	(3,336,919)
<b>NONOPERATING REVENUES (EXPENDITURES), NET</b>		
Investment income	648,045	1,153,261
Investment fees	(121,787)	(129,419)
<b>Total Nonoperating Revenues, Net</b>	526,258	1,023,842
<b>DECREASE IN NET POSITION</b>	(1,733,422)	(2,313,077)
<b>NET POSITION, BEGINNING OF YEAR</b>	23,807,614	26,120,691
<b>NET POSITION, END OF YEAR</b>	\$ 22,074,192	\$ 23,807,614

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal Vehicle Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

The Arkansas Municipal League (the League) is a voluntary group of Arkansas cities and towns, founded in 1934. The League provides a variety of services and benefits to its members, including legislative advocacy, risk management and benefit programs, training and educational opportunities and informational publications. The Municipal Vehicle Program (the Program) was established by the League in January of 1982 as a risk sharing pool to cover losses related to vehicles and certain mobile equipment owned and operated by participating municipalities, which include cities, towns and other governmental entities. The terms and conditions of the Program are set forth in the Program Brochure. During each of the years ended December 31, 2023 and 2022, the number of cities and towns participating in the Program totaled 435. Participating municipalities or the Program may terminate coverage by giving the other party 30 days' notice in writing.

The assets of the Program are held in the Municipal Vehicle Program Trust, a self-funded risk management trust approved by the Executive Committee of the League (the Executive Committee) in November 2018.

The Executive Director of the League is designated as the Program Administrator, and the League provides all facilities, personnel and services necessary for the administration of the Program. The Program Administrator is required to conduct at least annually a meeting for all participating municipalities. The operations of the Program are subject to oversight provided by the Municipal Vehicle Program Trust Board of Trustees. The assets of the Program are segregated from the League's assets and the assets of other programs managed by the League, and the League is not responsible for any obligations incurred by the Program. In the event of termination of the Program, any assets remaining after all Program obligations are satisfied will be distributed to the participating municipalities on a pro-rata basis. Any termination and distribution of assets shall comply with federal and state laws.

These financial statements present only balances and transactions that are directly attributable to the Program and are not intended to present and do not present the financial position or results of operations of the League or any other benefit program or funds managed by the League.

### **Measurement Focus and Basis of Accounting**

The Program 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 Program.

# Arkansas Municipal League Municipal Vehicle Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus and Basis of Accounting (Continued)**

Transactions of the Program 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. Generally, non-cash transactions are not reported by the Program. Therefore, these financial statements do not report amounts receivable for annual fees due from participating municipalities or investment income earned but not received. Annual fees are recorded as revenue when collected, without regard to the coverage period to which they apply. In addition, these financial statements do not reflect liabilities or expenditures for goods or services received or for claims incurred before year end for which payment has not yet been made. Investments are reported at cost, rather than fair value. Expected reinsurance proceeds are reported in the period the related claims are paid. Reinsurance premiums are reported as expenditures when they are paid, regardless of the coverage period.

### **Basis of Presentation**

Net position is categorized into amounts restricted and unrestricted, as applicable. As of December 31, 2023 and 2022, there were no restrictions on the net position of the Program.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statements of revenues, expenditures and changes in net position – modified cash basis. Operating revenues consist of annual fees collected from participating municipalities, and operating expenditures include costs related to payment of claims (net of reinsurance recoveries and subrogation/salvage proceeds), personnel costs, reinsurance premiums and other administrative costs. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing activities.

### **Cash and Cash Equivalents**

Cash and cash equivalents generally consist of an interest-bearing deposit account maintained with a financial institution, undeposited receipts and equity in two pooled cash management accounts, which are interest-bearing deposit accounts maintained with financial institutions by the League for the benefit of certain funds and benefit programs managed by the League.

### **Investments**

To maximize investment opportunities and returns, the League pools the resources of certain funds and programs under its management in several internal investment pools, each of which has a different asset mix and investment strategy. An internal investment pool is an arrangement that commingles the moneys of more than one fund within one legal entity. The underlying investments that comprise the internal investment pools may include marketable equity securities, obligations of the U.S. government, obligations of U.S. government agencies and government-sponsored entities, mutual funds, exchange traded funds, alternative investments and investments in certain other debt securities, as approved by the Executive Committee.

# Arkansas Municipal League Municipal Vehicle Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments (Continued)**

Investments of the Program consist of ownership interests in these internal investment pools managed by the League. While the Program owns a participating interest in the pools, it does not own the underlying securities. Amounts invested by the Program in the internal investment pools are generally reported at cost on the statements of assets, liabilities and net position – modified cash basis. Net investment income (or loss) earned by the pools and certain investment fees are allocated to the Program and other pool participants on a pro-rata basis and are recorded as increases or decreases in the cost of the investment.

### **Annual Fees**

Annual fees to participate in the Program are calculated based on motor vehicle and mobile equipment values specified by each participating municipality on the enumeration schedule and rates, which vary based on historical loss ratios. Rates are determined by the League, subject to approval by participating municipalities who attend the annual meeting. Annual fees are billed on each participating municipality's anniversary date and are recorded as revenue when collected, without regard to the coverage period to which they apply.

### **Claims Paid, Net**

Each participating municipality must list motor vehicles and mobile equipment to be covered by the Program on an enumeration schedule. The Program will pay damages related to bodily injury, death or property damage incurred by a covered motor vehicle or mobile equipment and for which the municipality is liable under Arkansas Code Annotated 21-9-303 (Part I). In the event of a loss, the participating municipality is required to give notice to the Program as soon as possible, but not more than twenty (20) days after the loss. Payments made by the Program are limited to \$25,000 for bodily injury or death to one person in any one accident, \$50,000 for bodily injury or death to two or more persons in any one accident, and \$25,000 for damage to or destruction of property of others in any one accident. The Program also covers all risks of direct physical loss of or damage to motor vehicles and mobile equipment listed on the enumeration schedule (Part II). Exclusions from coverage and limitations on the Program's liability for loss are further explained in the Program Brochure.

Claims paid include all damages paid under Part I due to bodily injury, death or property damage. Claims paid also include all amounts paid under Part II, which are generally calculated based on the full cost to repair or replace the covered vehicle or mobile equipment up to the maximum value assigned on the enumeration schedule, after deduction for depreciation.

Claims paid are reported net of subrogation payments received by the Program for claims related to losses caused by a third party who is legally responsible and salvage proceeds related to the sale of damaged property. For the years ended December 31, 2023 and 2022, subrogation and salvage payments collected totaled \$1,244,584 and \$865,535, respectively.

Claims paid are also reported net of amounts recovered or to be recovered under the Program's reinsurance policy (see Note 3). Reinsurance recoveries applicable to claims paid totaled \$1,397,532 and \$1,533,695 for the years ended December 31, 2023 and 2022, respectively.



# Arkansas Municipal League Municipal Vehicle Program

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Tax Status**

The Program is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Estimates**

The preparation of financial statements in conformity 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 2: DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents**

At December 31, cash and cash equivalents include the following:

	<b>2023</b>	<b>2022</b>
Interest-bearing deposit account	1,687,094	936,653
Equity in pooled cash management accounts	2,846,176	167,692
	<b>\$ 4,533,270</b>	<b>\$ 1,104,345</b>

The Program’s interest-bearing deposit account, the pooled cash management accounts and the interest-bearing deposit accounts of other funds and benefit programs managed by the League that are maintained at the same financial institution are insured by the Federal Deposit Insurance Corporation (FDIC), and any balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institution and held in the name of the League or irrevocable standby letters of credit issued by the Federal Home Loan Bank in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League.

**Investments**

The Executive Committee has created and appointed members of an investment subcommittee to establish investment guidelines, review and evaluate investment results, and make recommendations on investment matters pertaining to investing activities of the League and certain funds and benefit programs under management of the League. The Investment Policy Statement (the Policy) adopted by the League at the recommendation of the investment subcommittee, as amended, sets forth basic investment objectives and philosophies. The requirements of the Policy are applied to the investment portfolio managed by the League for all funds and certain benefit programs managed by the League.

The Policy specifies that the primary investment objective is to earn the highest possible return consistent with prudent levels of risk. In general, the Policy sets forth limitations and guidelines on

# Arkansas Municipal League Municipal Vehicle Program

## Notes to Financial Statements December 31, 2023 and 2022

### **NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

#### **Investments (Continued)**

industry concentration and investment ratings. With respect to equity securities, no single equity security may exceed 10% of the aggregate fair value of all securities in the account in which that equity security is held. In addition, concentrations in any one economic sector are limited to 30% of aggregate fair value of all securities in that account. With respect to debt securities, a minimum credit rating of A3/A- is generally required, with certain exceptions. With the exception of securities that are direct or guaranteed obligations of the U.S. government, concentrations with respect to any one issuer may not exceed 5% of the aggregate fair value of all securities in the account in which that debt security is held. Alternative investments are limited to 15% of the fair value of all the League's investments.

The table below provides detailed information about the internal investment pools in which the Program's assets are invested as of December 31, 2023 and 2022, including estimated fair values. Fair values of the underlying securities that comprise the pools are determined by independent pricing sources. The fair values of equity securities are based on unadjusted quoted prices for those securities in the active markets on which they are traded. The fair values of debt securities are estimated using pricing models that consider various assumptions about interest rates, timing of cash flows and other market-related factors. The fair values of alternative investments are estimated based on the capital investment made by the League into those funds, adjusted for gains and losses and other highly subjective factors.

At December 31, the Program's ownership interest in each individual pool is as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
<b>Equity Securities</b>				
Russell 3000 Account	\$ 1,219,531	\$ 5,067,011	\$ 1,219,531	\$ 4,019,867
Large Cap Growth Account	2,394,983	3,491,113	2,387,609	3,039,622
Wellington Management Accounts:				
Large Growth	4,070,479	6,125,820	4,115,894	4,379,422
Enduring Assets	-	-	4,440,770	4,757,984
International Quality Growth	2,689,959	3,308,436	2,642,077	2,919,291
Stephens Opportunistic Account	-	-	13,202	12,126
<b>Debt Securities</b>				
Arkansas Bond Account	2,124,477	2,081,105	2,053,978	1,968,367
Passive Bond Market Account	3,000,000	3,429,161	3,000,000	3,254,602
Stephens Opportunistic Account	-	-	117,071	107,529
<b>Money Market Mutual Funds</b>				
Stephens Opportunistic Account	128,345	128,345	-	-
<b>Alternative Investments</b>				
CapRocq Core Real Estate Fund L.P.	120,333	120,333	156,500	156,500
KKR Lending Partners, L.P.	40,500	40,500	38,220	38,220
Owl Rock Capital Corporation	1,001,185	973,763	1,001,185	761,990
	<u>\$ 16,789,792</u>	<u>\$ 24,765,587</u>	<u>\$ 21,186,037</u>	<u>\$ 25,415,520</u>

# Arkansas Municipal League Municipal Vehicle Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

### **Investments (Continued)**

More detailed information about the internal investment pools, investment policies and required custodial and credit risk disclosures is included in the League's audited financial statements and related footnotes, which can be obtained by contacting the Arkansas Municipal League, 301 West 2<sup>nd</sup> Street, North Little Rock, Arkansas 72114.

## **NOTE 3: REINSURANCE**

In order to limit the Program's potential liability for large aggregate and individual losses, the Program insures a portion of its risk with a commercial insurer through a contractual agreement typically referred to as reinsurance. The policies in effect during 2023 and 2022 generally provided coverage when a loss exceeded \$200,000 per occurrence up to \$800,000 of the ultimate net loss per occurrence. A contingent liability may exist in the event that the insurer is unable to meet its obligations specified under the reinsurance agreement. Reinsurance does not relieve the Program from its obligations to participating municipalities.

## **NOTE 4: TRANSACTIONS WITH THE LEAGUE**

The League maintains a supplemental aggregate reserve (the Reserve Fund) to cover significant, extraordinary claims and other operational costs of the Program and other benefit programs managed by the League. Each benefit program covered by the Reserve Fund is assessed an annual reserve fee. For each of the years ended December 31, 2023 and 2022, the fee attributable to the Program was 10% of the previous year's annual fees collected, payable in January.

The League charges a service fee to recover costs other than those related to payroll incurred in the administration of the Program and other programs managed by the League. The service fee for the years ended December 31, 2023 and 2022, was calculated as 3% of the fair value of the Program's cash, cash equivalents, investments and reinsurance proceeds receivable on January 31, payable in February.

All or a portion of reinsurance premiums for the Program may be paid by the Reserve Fund, at the discretion of the Executive Committee. The Executive Committee approved that the Reserve Fund cover a portion of the Program's reinsurance premiums for the years ended December 31, 2023 and 2022, respectively. The portion of reinsurance premium covered by the Reserve Fund is reported as operating subsidy – reinsurance premiums on the statements of revenues, expenditures and changes in net position – modified cash basis.

# Arkansas Municipal League Municipal Vehicle Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 4: TRANSACTIONS WITH THE LEAGUE (Continued)**

Certain employees of the League are dedicated to manage and conduct the day-to-day operations of both the Program and the Municipal Property Program, which is another benefit program offered by the League. The actual costs incurred in performing duties specific to the Program or the Municipal Property Program based on time and effort have not been measured. For the years ended December 31, 2023 and 2022, management has elected to report all personnel costs associated with the Program and the Municipal Property Program in the Program's financial statements.

The Program reimburses the League for a portion of personnel costs attributable to employees of the League who are directly involved in the administration of the Program and the Municipal Property Program. These reimbursements totaled \$321,890 and \$302,794 during the years ended December 31, 2023 and 2022, respectively. In addition, a portion of personnel costs attributable to certain employees of the League who are directly involved in the administration of the Program and the Municipal Property Program are paid directly from the League's General Operating and Reserve Funds and are not reimbursed by the Program. Amounts paid by the League's General Operating and Reserve Funds are subject to change annually at the discretion of the Executive Committee. These amounts, which totaled \$102,057 and \$98,684 during the years ended December 31, 2023 and 2022, respectively, are reported in the Program's financial statements as operating subsidy - personnel costs. The Municipal Property Program does not reimburse the Program or the League's General Operating and Reserve Funds for any personnel costs.

Certain employees of the League perform accounting, legal and other administrative duties for the Program. Personnel costs associated with these employees are paid by the League's General Operating Fund and are not reported in the Program's financial statements as management of the League believes such amounts are not readily determinable and would not be material to the Program's financial statements.

Vehicles owned by the League are covered under the Program. Annual fees paid by the League for participation in the Program totaled \$3,902 and \$368 during the years ended December 31, 2023 and 2022, respectively. There were approximately \$6,421 and \$13,614 in claims and claims-related expenses paid by the Program related to losses incurred by League during the years ended December 31, 2023 and 2022, respectively.

All investment advisory service fees are paid by the Reserve Fund. For the years ended December 31, 2023 and 2022, investment advisory service fees for all benefit programs and funds managed by the League totaled \$359,928 and \$393,321, respectively.

# Arkansas Municipal League Municipal Vehicle Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 5: RETIREMENT PLAN**

### Plan Description

Employees of the League that meet certain eligibility requirements participate in Arkansas Public Employees Retirement System (“APERS” or “the Plan”), 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 service. 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 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.

### Contributions

Plan participants hired after July 1, 2005, are required to contribute 5.25% (5.00% prior to July 1, 2022) of their annual covered salary, and the League 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 period from January 1, 2022 through December 31, 2023. Contribution requirements are set forth in state statute. The League’s proportionate share of contributions for employees directly involved in management and operation of the Program and the Municipal Property Program for the Plan years ended June 30, 2023 and 2022 were \$34,607 and \$33,168, respectively, which were equal to the required contributions for the year.

### 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 League’s proportionate share of the total collective net pension liability of all employers participating in APERS was \$9,519,688 and \$9,126,178 at June 30, 2023 and 2022, respectively. Management estimates that the portion of this liability attributable to employees directly involved in management and operation of the Program and the Municipal Property Program was \$297,014 and \$279,279 at June 30, 2023 and 2022, respectively.

## **NOTE 6: COMMITMENTS AND CONTINGENCIES**

Management of the League does not estimate the Program’s obligation for claims incurred and reported before year end that were paid after year end (claims payable) or claims incurred before year end but not reported until after year end, and this obligation may be significant to the Program’s financial statements.



**Arkansas Municipal League  
Municipal Property Program**

**Financial Statements  
December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

# Arkansas Municipal League Municipal Property Program

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Assets, Liabilities and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	7



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Municipal Property Program Trust  
North Little Rock, Arkansas

Program Administrator and Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### Opinion

We have audited the modified cash basis financial statements of the **Municipal Property Program (the Program)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2023 and 2022, and the statements of revenues, expenditures and changes in net position – modified cash basis for the years then ended, and the related notes to the financial statements. The Program is a benefit program managed by the Arkansas Municipal League (the League), subject to oversight by the members of the Board of Trustees of the Program.

In our opinion, the accompanying financial statements present fairly, in all material respects, the modified cash basis financial position of the Program as of December 31, 2023 and 2022, and the changes in its modified cash basis financial position for the years 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 audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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.



Members of the Board of Trustees  
Municipal Property Program Trust

Program Administrator and Management  
Arkansas Municipal League

### **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 U.S. GAAS 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 U.S. GAAS, 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 Program's 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 the Program's 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 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.

Members of the Board of Trustees  
Municipal Property Program Trust

Program Administrator and Management  
Arkansas Municipal League

**Emphasis of Matter – Reporting Entity**

As disclosed in Note 1 to the financial statements, these financial statements present only balances and transactions that are directly attributable to the Program and are not intended present and do not present the financial position or results of operations of the League or any other benefit program managed by the League.

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive style, and "PLC" is written in a more upright, blocky cursive style.

Little Rock, Arkansas  
June 27, 2024

## **Financial Statements**

# Arkansas Municipal League Municipal Property Program

## Statements of Assets, Liabilities and Net Position – Modified Cash Basis December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,690,741	\$ 2,648,327
Investments	3,599,633	4,140,867
Prepaid reinsurance premiums	3,412,500	2,649,872
Reinsurance proceeds receivable	<u>1,540,128</u>	<u>4,050,838</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,243,002</u>	<u>\$ 13,489,904</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>
 <b>Net Position</b>	<u>11,243,002</u>	<u>13,489,904</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 11,243,002</u>	<u>\$ 13,489,904</u>

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal Property Program

## Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis Years Ended December 31, 2023 and 2022

	2023	2022
<b>OPERATING REVENUE</b>		
Annual fees	\$ 11,602,885	\$ 8,399,874
<b>OPERATING EXPENDITURES</b>		
Claims:		
Claims paid, net	4,706,515	2,602,576
Adjustors' charges	509,033	445,297
Total claims	5,215,548	3,047,873
Service fee	451,402	443,889
Reserve fee	839,987	844,582
Reinsurance premiums	9,555,295	6,718,674
Other	210,786	161,289
<b>Total Operating Expenditures</b>	16,273,018	11,216,307
<b>Operating Loss before Subsidies</b>	(4,670,133)	(2,816,433)
<b>SUBSIDIES</b>		
Operating subsidy - reinsurance premiums	2,276,678	2,574,842
<b>Net Operating Loss</b>	(2,393,455)	(241,591)
<b>NONOPERATING REVENUES (EXPENDITURES), NET</b>		
Investment income	165,030	462,008
Investment fees	(18,477)	(19,569)
<b>Total Nonoperating Revenues, Net</b>	146,553	442,439
<b>(DECREASE) INCREASE IN NET POSITION</b>	(2,246,902)	200,848
<b>NET POSITION, BEGINNING OF YEAR</b>	13,489,904	13,289,056
<b>NET POSITION, END OF YEAR</b>	\$ 11,243,002	\$ 13,489,904

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

The Arkansas Municipal League (the League) is a voluntary group of Arkansas cities and towns, founded in 1934. The League provides a variety of services and benefits to its members, including legislative advocacy, risk management and benefit programs, training and educational opportunities and informational publications. The Municipal Property Program (the Program) was established by the League in October of 1985 as a risk sharing pool to cover losses related to property and equipment (excluding motor vehicles, mobile equipment and water vessels) owned and operated by participating municipalities, which include cities, towns and other governmental entities. The terms and conditions of the Program are set forth in the Program Brochure. During each of the years ended December 31, 2023 and 2022, the number of cities and towns participating in the Program totaled 372. Participating municipalities or the Program may terminate coverage by giving the other party 30 days' notice in writing.

The assets of the Program are held in the Municipal Property Program Trust, a self-funded risk management trust approved by the Executive Committee of the League (the Executive Committee) in November 2018.

The Executive Director of the League is designated as the Program Administrator, and the League provides all facilities, personnel and services necessary for the administration of the Program. The Program Administrator is required to conduct at least annually a meeting for all participating municipalities. The operations of the Program are subject to oversight provided by the Municipal Property Program Board of Trustees. The assets of the Program are segregated from the League's assets and the assets of other programs managed by the League, and the League is not responsible for any obligations incurred by the Program. In the event of termination of the Program, any assets remaining after all Program obligations are satisfied will be distributed to the participating municipalities on a pro-rata basis. Any termination and distribution of assets shall comply with federal and state laws.

These financial statements present only balances and transactions that are directly attributable to the Program and are not intended to present and do not present the financial position or results of operations of the League or any other benefit program or funds managed by the League.

### **Measurement Focus and Basis of Accounting**

The Program 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 Program.

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus and Basis of Accounting (Continued)**

Transactions of the Program 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. Generally, non-cash transactions are not reported by the Program. Therefore, these financial statements do not report amounts receivable for annual fees due from participating municipalities or investment income earned but not received. Annual fees are recorded as revenue when collected, without regard to the coverage period to which they apply. In addition, these financial statements do not reflect liabilities or expenditures for goods or services received or for claims incurred before year end for which payment has not yet been made. Investments are reported at cost, rather than fair value. Expected reinsurance proceeds are reported in the period the related claims are paid. Reinsurance premiums are reported as expenditures during the period of coverage.

### **Basis of Presentation**

Net position is categorized into amounts restricted and unrestricted, as applicable. As of December 31, 2023 and 2022, there were no restrictions on the net position of the Program.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statements of revenues, expenditures and changes in net position – modified cash basis. Operating revenues consist of annual fees collected from participating municipalities, and operating expenditures include costs related to payment of claims (net of reinsurance recoveries and subrogation/salvage proceeds), reinsurance premiums and other administrative costs. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing activities.

### **Cash and Cash Equivalents**

Cash and cash equivalents generally consist of an interest-bearing deposit account maintained with a financial institution, undeposited receipts and equity in two pooled cash management accounts, which are interest-bearing deposit accounts maintained with financial institutions by the League for the benefit of certain funds and benefit programs managed by the League.

### **Investments**

To maximize investment opportunities and returns, the League pools the resources of certain funds and programs under its management in several internal investment pools, each of which has a different asset mix and investment strategy. An internal investment pool is an arrangement that commingles the moneys of more than one fund within one legal entity. The underlying investments that comprise the internal investment pools may include marketable equity securities, obligations of the U.S. government, obligations of U.S. government agencies and government-sponsored entities, mutual funds, exchange traded funds, alternative investments and investments in certain other debt securities, as approved by the Executive Committee.

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments (Continued)**

Investments of the Program consist of ownership interests in these internal investment pools managed by the League. While the Program owns a participating interest in the pools, it does not own the underlying securities. Amounts invested by the Program in the internal investment pools are generally reported at cost on the statements of assets, liabilities and net position – modified cash basis. Net investment income (or loss) earned by the pools and certain investment fees are allocated to the Program and other pool participants on a pro-rata basis and are recorded as increases or decreases in the cost of the investment.

### **Annual Fees**

Annual fees to participate in the Program are calculated based on property and equipment values specified by each participating municipality on the enumeration schedule and rates, which vary based on the Insurance Services Office Public Protection Classification Program Fire Suppression Rating applicable to the municipality. Rates are determined by the League, subject to approval by participating municipalities who attend the annual meeting. Annual fees are billed on each participating municipality's anniversary date and are recorded as revenue when collected, without regard to the coverage period to which they apply.

### **Claims Paid, Net**

In the event of a loss, the participating municipality is required to give notice to the Program as soon as possible, but not more than ten (10) days after the loss. The amount of the claim paid is limited to the lesser of (1) what it would then cost to repair or replace the property or such part thereof with other of like kind and quality, or (2) the applicable limit of liability stated on the enumeration schedule. The Program may either pay for the loss or may repair the property at the agreed or appraised value. The amount of the claim will be reduced by the applicable deductible amount, which ranges from \$5,000 - \$10,000, unless the claim is related to a flood or earthquake, in which case the deductible is \$500,000, or unless the claim is a cyber liability claim, in which case the deductible ranges from \$50,000 to \$250,000.

Claims paid are reported net of amounts recovered or to be recovered under the Program's reinsurance policy (see Note 3) and any subrogation or salvage proceeds. Reinsurance recoveries applicable to claims paid totaled \$4,831,348 and \$9,331,038 for the years ended December 31, 2023 and 2022, respectively, of which \$1,540,128 and \$4,050,838 had not been collected and are reported as receivables on the statements of assets, liabilities and net position – modified cash basis at December 31, 2023 and 2022, respectively. There were no collections from subrogation or salvage efforts during the years ended December 31, 2023 or 2022.

### **Tax Status**

The Program is exempt from income taxes under Section 115 of the Internal Revenue Code.



# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Estimates**

The preparation of financial statements in conformity 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 2: DEPOSITS AND INVESTMENTS**

### **Cash and Cash Equivalents**

At December 31, cash and cash equivalents include the following:

	<u>2023</u>	<u>2022</u>
Interest-bearing deposit account	\$ 1,693,134	\$ 1,687,947
Equity in pooled cash management accounts	<u>997,607</u>	<u>960,380</u>
	<u>\$ 2,690,741</u>	<u>\$ 2,648,327</u>

The Program's interest-bearing deposit account, the pooled cash management accounts and the interest-bearing deposit accounts of other funds and benefit programs managed by the League that are maintained at the same financial institution are insured by the Federal Deposit Insurance Corporation (FDIC), and any balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institution and held in the name of the League or irrevocable standby letters of credit issued by the Federal Home Loan Bank in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League.

### **Investments**

The Executive Committee has created and appointed members of an investment subcommittee to establish investment guidelines, review and evaluate investment results, and make recommendations on investment matters pertaining to investing activities of the League and certain funds and benefit programs under management of the League. The Investment Policy Statement (the Policy) adopted by the League at the recommendation of the investment subcommittee, as amended, sets forth basic investment objectives and philosophies. The requirements of the Policy are applied to the investment portfolio managed by the League for all funds and certain benefit programs managed by the League.

The Policy specifies that the primary investment objective is to earn the highest possible return consistent with prudent levels of risk. In general, the Policy sets forth limitations and guidelines on industry concentrations and investment ratings. With respect to equity securities, no single equity security may exceed 10% of the aggregate fair value of all securities in the account in which that equity security is held. In addition, concentrations in any one economic sector are limited to 30% of the aggregate fair value of all securities in that account. With respect to debt securities, a minimum credit rating of A3/A- is generally required, with certain exceptions. With the exception of securities that are direct or guaranteed obligations of the U.S. government, concentrations with respect to any one issuer

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

may not exceed 5% of the aggregate fair value of all securities in the account in which that debt security is held. Alternative investments are limited to 15% of the fair value of all the League's investments.

The table below provides detailed information about the internal investment pools in which the Program's assets are invested as of December 31, 2023 and 2022, including estimated fair values. Fair values of the underlying securities that comprise the pools are determined by independent pricing sources. The fair values of equity securities are based on unadjusted quoted prices for those securities in the active markets on which they are traded. The fair values of debt securities are estimated using pricing models that consider various assumptions about interest rates, timing of cash flows and other market-related factors. The fair values of alternative investments are estimated based on the capital investment made by the League into those funds, adjusted for gains and losses and other highly subjective factors.

At December 31, the Program's ownership interest in each pool is as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Equity Securities</b>				
Russell 3000 Account	\$ 522,854	\$ 2,172,398	\$ 522,854	\$ 1,723,452
Large Cap Growth Account	559,196	815,128	557,475	709,711
Wellington Management Accounts:				
Large Growth	481,424	724,513	486,795	517,963
Enduring Assets	-	-	525,219	562,737
International Quality Growth	318,147	391,296	312,484	345,271
Stephens Opportunistic Account	-	-	77,528	71,208
<b>Debt Securities</b>				
Passive Bond Market Account	265,749	303,766	265,749	288,303
Arkansas Bond Account	219,173	214,694	211,900	203,064
Stephens Opportunistic Account	-	-	687,500	631,464
<b>Money Market Mutual Funds</b>				
Stephens Opportunistic Account	753,708	753,708	-	-
<b>Alternative Investments</b>				
CapRocq Core Real Estate Fund L.P.	49,642	49,642	64,563	64,563
KKR Lending Partners, L.P.	16,707	16,707	15,767	15,767
Owl Rock Capital Corporation	413,033	401,721	413,033	314,355
	<u>\$ 3,599,633</u>	<u>\$ 5,843,573</u>	<u>\$ 4,140,867</u>	<u>\$ 5,447,858</u>

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

More detailed information about the internal investment pools, investment policies and required custodial and credit risk disclosures is included in the League’s audited financial statements and related footnotes, which can be obtained by contacting the Arkansas Municipal League, 301 West 2<sup>nd</sup> Street, North Little Rock, Arkansas 72114.

**NOTE 3: REINSURANCE**

In order to limit the Program’s potential liability for large aggregate and individual losses, the Program insures a portion of its risk with commercial insurers through contractual agreements typically referred to as reinsurance. The following table summarizes the Program’s risk retention (deductible) and coverage limits in effect during the years ended December 31, 2023 and 2022:

Effective Dates	All Peril Deductible		Wind / Hail Deductible		Flood Deductible	
	Per Occurrence Single Structure	Per Occurrence Multiple Structures	Per Occurrence Single Structure	Per Occurrence Multiple Structures	Non Hazard Zone	Hazard
<b>7/1/21 - 6/30/22</b>						
NLC Bottom layer	\$ 250,000	\$ 250,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Alliant	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
<b>7/1/22 - 6/30/23</b>						
NLC Bottom layer	\$ 250,000	\$ 250,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Alliant	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
<b>7/1/23 - 6/30/24</b>						
NLC Bottom layer	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Alliant	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 3: REINSURANCE (Continued)**

Effective Dates	Coverage Limits			
	Aggregate	Flood Aggregate	Flood Sublimit Per Occurrence	Flood Sublimit Per Occurrence in Hazard Zone
<b>7/1/21 - 6/30/22</b>				
NLC Bottom layer	\$ 2,750,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Alliant	\$ 500,000,000	\$ 50,000,000	\$ 10,000,000	\$ 5,000,000
<b>7/1/22 - 6/30/23</b>				
NLC Bottom layer	\$ 2,750,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Alliant	\$ 500,000,000	\$ 50,000,000	\$ 10,000,000	\$ 5,000,000
<b>7/1/23 - 6/30/24</b>				
NLC Bottom layer	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
Alliant	\$ 500,000,000	\$ 50,000,000	\$ 10,000,000	\$ 5,000,000

A contingent liability may exist in the event that any insurer is unable to meet its obligations specified under the reinsurance agreements. Reinsurance does not relieve the Program from its obligations to participating municipalities.

**NOTE 4: TRANSACTIONS WITH THE LEAGUE**

The League maintains a supplemental aggregate reserve (the Reserve Fund) to cover significant, extraordinary claims and other operational costs of the Program and other benefit programs managed by the League. Each benefit program covered by the Reserve Fund is assessed an annual reserve fee. For each of the years ended December 31, 2023 and 2022, the fee attributable to the Program was 10% of the previous year's annual fees collected, payable in January.

The League charges a service fee to recover costs other than those related to payroll incurred in the administration of the Program and other benefit programs managed by the League. The service fee for the years ended December 31, 2023 and 2022, was 3% of the fair value of the Program's cash, cash equivalents, investments, prepaid reinsurance premiums and reinsurance proceeds receivable on January 31, payable in February.

Property and equipment owned by the League is covered under the Program. Annual fees paid by the League for participation in the Program totaled \$32,203 and \$27,195 during the years ended December 31, 2023 and 2022, respectively. There were no claims paid by the Program related to losses incurred by the League during the years ended December 31, 2023 and 2022.

# Arkansas Municipal League Municipal Property Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 4: TRANSACTIONS WITH THE LEAGUE (Continued)**

All or a portion of reinsurance premiums for the Program may be paid by the Reserve Fund, at the discretion of the Executive Committee. The Executive Committee approved that the Reserve Fund cover a portion of the Program's reinsurance premiums for the years ended December 31, 2023 and 2022. The portion of reinsurance premiums covered by the Reserve Fund is reported as operating subsidy – reinsurance premiums on the statements of revenues, expenditures and changes in net position – modified cash basis.

Certain employees of the League are dedicated to managing and conducting the day-to-day operations of both the Program and the Municipal Vehicle Program, which is another benefit program offered by the League. The actual costs incurred in performing duties specific to the Program or the Municipal Vehicle Program based on time and effort have not been measured. Historically, a portion of the personnel costs associated with these shared employees has been paid by the League's General Operating and Reserve Funds, reimbursed by the Municipal Vehicle Program, and these costs have been reported entirely in the financial statements of the Municipal Vehicle Program. Management has elected not to report any personnel costs in the Program's 2023 or 2022 financial statements, as such amounts cannot be reasonably estimated.

Certain employees of the League perform accounting, legal and other administrative duties for the Program. Personnel costs associated with these employees are paid by the League's General Operating Fund and are not reported in the Program's financial statements as management of the League believes such amounts are not readily determinable and would not be material to the Program's financial statements.

All investment advisory service fees are paid by the Reserve Fund. For the years ended December 31, 2023 and 2022, investment advisory service fees for all benefit programs and funds managed by the League totaled \$359,928 and \$393,321, respectively.

## **NOTE 5: COMMITMENTS AND CONTINGENCIES**

Management of the League does not estimate the Program's obligation for claims incurred and reported before year end that were paid after year end (claims payable) or claims incurred before year end but not reported until after year end, and this obligation may be significant to the Program's financial statements.



**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

**Financial Statements  
and  
Supplementary Information  
December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

# Arkansas Municipal League Municipal League Workers' Compensation Program

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Claims Development Information	26
Schedule of Proportionate Share of the Net Pension Liability	28
Schedule of Contributions to the Arkansas Public Employees Retirement System	29
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Income, Expenses and Claims Paid by Fund Year	32
Schedule of Investments Held During the Year	37



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Municipal League Workers' Compensation Program  
North Little Rock, Arkansas

Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### Opinion

We have audited the accompanying financial statements of the **Municipal League Workers' Compensation Program (the Program)**, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents. The Program is a benefit program managed by the Arkansas Municipal League (the League).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and the changes in financial position and cash flows of the **Municipal League Workers' Compensation Program** as of and for the years ended December 31, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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.

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 Program's 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.



Members of the Board of Trustees  
Municipal League Workers' Compensation Program  
Management  
Arkansas Municipal League

### **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 U.S. GAAS 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 U.S. GAAS, 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 Program's 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 the Program's 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**

As disclosed in Note 1 to the financial statements, these financial statements present only balances and transactions that are directly attributable to the Program and are not intended to present and do not present the financial position, results of operations or cash flows of the League or any other benefit program managed by the League.

Members of the Board of Trustees  
Municipal League Workers' Compensation Program  
  
Management  
Arkansas Municipal League

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that claims development information, a schedule of the League's and the Program's proportionate share of the net pension liability and a schedule of the League's and the Program's contributions to the pension plan be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, as it is considered 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 financial statements and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures we performed do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America also require that management's discussion and analysis be presented to supplement the financial statements. Management's discussion and analysis, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, as it is considered to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic or historical context. Management has elected to omit management's discussion and analysis. Our opinion on the financial statements is not affected by this omission.

**Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Program's financial statements. The schedule of income, expenses and claims paid by fund year and the schedule of investments held during the year are presented for purposes of additional analysis, as required by the Arkansas Workers' Compensation Commission, and are not required parts of the financial statements. The information presented in these schedules 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 been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Little Rock, Arkansas  
April 10, 2024

## **Financial Statements**

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Statements of Net Position December 31, 2023 and 2022

	2023	2022
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,504,502	\$ 15,860,965
Investments	30,528,243	25,500,028
Premiums receivable	1,392,499	873,798
Accrued interest receivable	163,241	134,919
<b>Total Current Assets</b>	46,588,485	42,369,710
<b>Restricted Assets</b>		
Certificate of deposit	3,100,000	3,100,000
<b>TOTAL ASSETS</b>	49,688,485	45,469,710
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred outflow related to pensions	280,270	301,745
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	\$ 49,968,755	\$ 45,771,455
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 426,111	\$ 480,824
Premium overpayment	280,813	191,218
Unearned premiums	1,726,194	1,346,225
Liability for unpaid claims and claims adjustment expenses	12,632,246	12,037,757
<b>Total Current Liabilities</b>	15,065,364	14,056,024
<b>Long-term Liabilities</b>		
Liability for unpaid claims and claim adjustment expenses	19,420,000	18,905,000
Net pension liability	924,361	898,073
<b>Total Noncurrent Liabilities</b>	20,344,361	19,803,073
<b>TOTAL LIABILITIES</b>	35,409,725	33,859,097
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflow related to pensions	22,663	11,076
<b>NET POSITION</b>		
Restricted	3,100,000	3,100,000
Unrestricted	11,436,367	8,801,282
<b>Total Net Position</b>	14,536,367	11,901,282
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	\$ 49,968,755	\$ 45,771,455

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2023 and 2022

	2023	2022
<b>OPERATING REVENUES</b>		
Premiums, net	\$ 14,055,438	\$ 14,078,114
<b>OPERATING EXPENSES</b>		
Claims paid	7,584,590	7,766,037
Increase (Decrease) in liability for unpaid claims and claims adjustment expenses	1,109,490	(66,922)
Service fee	1,567,142	1,063,486
Reserve fee	1,346,404	1,393,038
Premium tax	384,684	412,181
Personnel costs	1,259,821	1,078,156
Utilization review	348,244	373,410
Other	235,087	251,109
<b>Total Operating Expenses</b>	13,835,462	12,270,495
<b>Operating Income before Operating Subsidies</b>	219,976	1,807,619
<b>OPERATING SUBSIDIES</b>		
Personnel costs	150,019	77,655
Excess claims	31,460	121,824
<b>Total Operating Subsidies</b>	181,479	199,479
<b>Net Operating Income</b>	401,455	2,007,098
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	1,689,003	693,069
Net appreciation (depreciation) in fair value of investments	562,162	(1,863,874)
Investment fees	(17,535)	(17,273)
<b>Total Nonoperating Revenues (Expenses), Net</b>	2,233,630	(1,188,078)
<b>CHANGE IN NET POSITION</b>	2,635,085	819,020
<b>NET POSITION, BEGINNING OF YEAR</b>	11,901,282	11,082,262
<b>NET POSITION, END OF YEAR</b>	\$ 14,536,367	\$ 11,901,282

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts from</b>		
Premiums, net	\$ 14,006,301	\$ 13,291,837
Operating subsidy - excess claims	31,460	121,824
<b>Disbursements for</b>		
Claims	7,584,590	7,766,037
Service fee	1,567,142	1,063,486
Reserve fee	1,346,404	1,393,038
Premium tax	412,181	398,327
Personnel costs	1,109,802	1,000,501
Utilization review	416,887	373,410
Other	134,311	128,979
<b>Total Operating Disbursements</b>	12,571,317	12,123,778
<b>Net Cash Provided by Operating Activities</b>	1,466,444	1,289,883
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	14,324,740	18,439,684
Purchases of investments	(18,790,793)	(22,398,539)
Proceeds from maturity of certificate of deposit	3,100,000	3,100,000
Purchase of certificate of deposit	(3,100,000)	(3,100,000)
Investment income, net	1,660,681	659,700
Investment fees paid	(17,535)	(17,273)
<b>Net Cash Used by Investing Activities</b>	(2,822,907)	(3,316,428)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,356,463)	(2,026,545)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	15,860,965	17,887,510
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 14,504,502	\$ 15,860,965
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Net operating income</b>	\$ 401,455	\$ 2,007,098
<b>Adjustments to reconcile net operating income to net cash provided by operating activities</b>		
Change in operating assets and liabilities		
Premium receivable	(518,701)	(873,798)
Accounts payable	(54,713)	82,497
Premium overpayment	89,595	191,218
Unearned premiums	379,969	(103,697)
Liability for unpaid claims and claims adjustment expenses	1,109,489	(66,922)
Net pension adjustments	59,350	53,487
<b>Net Cash Provided by Operating Activities</b>	\$ 1,466,444	\$ 1,289,883

See accompanying notes to financial statements.

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Organization**

The Municipal League Workers' Compensation Program (the Program) commenced operations July 1, 1985. Members of the Program include Arkansas local governments, school districts and respective agencies of local governments and school districts (hereinafter referred to as "Employer Members") that have entered into an interlocal agreement to provide self-insured workers' compensation coverage and benefits to their employees. The Program is administered by a five member Board of Trustees (the Board) and will continue in perpetuity, unless terminated by the Board. The Program operates in compliance with Arkansas workers' compensation law and with related rules and regulations of the Arkansas Workers' Compensation Commission (AWCC). At December 31, 2023 and 2022, respectively, there were 612 and 609 Employer Members participating in the Program.

As permitted under the Bylaws of the Program, the Board has entered into an agreement for administrative services with the Arkansas Municipal League (the League). Pursuant to the terms of this agreement, the League is responsible for processing and paying workers' compensation claims, investing Program assets, implementing risk management and loss control programs, accounting and financial reporting and other activities necessary for the overall administration of the Program. The assets of the Program are segregated from assets of the League and other benefit programs managed by the League, and the League is not responsible for any obligations incurred by the Program or the participating Employer Members. In the event of dissolution of the Program, any assets remaining after all Program obligations are satisfied will be distributed to the Employer Members on a pro-rata basis. Any termination of the Program and distribution of assets shall comply with all federal and state laws, as well as the rules and regulations of the AWCC.

These financial statements present only balances and transactions that are directly attributable to the Program and are not intended to present and do not present the financial position, results of operations or cash flows of the League or any other benefit program managed by the League.

### **Measurement Focus, Basis of Accounting and Basis of Presentation**

The Program 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 financial statements of the Program are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, the objectives of which include the determination of operating income, changes in financial position and cash flows, all assets, deferred outflow (inflow) of resources and liabilities (whether current or noncurrent, financial or nonfinancial) are reported. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

The Program's net position is categorized into amounts restricted and unrestricted, as applicable.

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Operating revenues and expenses are distinguished from non-operating revenues and expenses for purposes of presentation on the Program's statements of revenues, expenses and changes in net position. Operating revenues consist of premiums collected from Employer Members, and operating expenses include all costs related to the servicing of claims and administrative expenses. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing activities.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of a demand deposit account maintained with a financial institution, a government obligation money market mutual fund and equity in pooled cash management accounts, which are interest-bearing deposit accounts maintained with financial institutions by the League for the benefit of the League and certain benefit programs managed by the League.

### **Investments**

The Program's investments are reported at fair value. U.S. GAAP requires that the Program's investments be 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. Detailed information about the Program's investments and related fair value levels is provided in Note 2.

Net realized and unrealized gains and losses are reported as net appreciation (depreciation) in fair value of investments in the statements of revenues, expenses and changes in net position. Investment income includes interest income received by the Program, adjusted for interest earned but not collected. Premiums and discounts are not amortized or accreted. Purchases and sales are recorded on a trade date basis.

### **Liability for Unpaid Claims and Claims Adjustment Expenses**

The liability for unpaid claims and claims adjustment expenses is a significant estimate based on evaluations of individual claims by management and claims adjusters, an actuarial review of experience with respect to historical amounts of claims paid, and the probable amount and nature of claims arising from losses that have been incurred, but have not been reported, prior to the reporting date. The liability represents the estimated ultimate cost of settling the claims, including legal fees, the effects of inflation and other factors. Any adjustments resulting from the settlement of claims, changes in estimated settlement amounts or claims adjustment expenses resulting from management's continuous review process are reported in the financial statements at the time the adjustments are determined.

The liability for unpaid claims and claims adjustment expenses includes an estimate of unallocated loss adjustment expenses (ULAE). This estimate represents the expected cost of administrative expenses related to the processing and settlement of incurred claims if the Program were to discontinue operations at the end of the year.



# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Liability for Unpaid Claims and Claims Adjustment Expenses (Continued)**

To develop an estimated ULAE, the Program's independent actuary determines the average cost per claim based on actual direct expenses incurred to process and pay claims and applies that to the number of unsettled claims outstanding as of the actuarial valuation date. The base ULAE cost per open claim was \$680 as of December 31, 2023, and is expected to grow at an annual rate of 5% thereafter.

### **Premiums, Net**

Premiums are initially calculated and billed based on estimated payroll amounts reported by the Employer Members and rates established by the AWCC. Premiums are billed annually in October for coverage applicable to the following calendar year. Premiums are recognized as revenue during the period of coverage. Premium payments received in advance of the year to which they apply are reported as unearned premiums. Premiums are reported net of credits and discounts, which are extended at the discretion of the Board and are subject to change annually. Credits and discounts totaled \$339,667 and \$475,797 for the years ended December 31, 2023 and 2022, respectively.

Employer Members are required to submit final compensation reports by March 15 of the year following the year of coverage to enable management of the Program to recalculate premiums based on actual wages paid. At the discretion of the Board, any excess of premiums initially billed over recalculated premiums may be refunded to Employer Members, and any excess of recalculated premiums over premiums initially billed may be recovered from Employer Members. Any resulting receivable or payable amounts that are expected to be collected from or paid to Employer Members for underpayments or overpayments of premium are reported in the period to which the coverage applies. The Board elected to recover or refund any differences exceeding \$1,000 between amounts actually billed and amounts that would have been billed using final wage numbers for the years ended December 31, 2023 and 2022. Management has not established any allowance for uncollectible premiums receivable as the amount reported on the statements of net position is expected to be fully collected.

### **Tax Status**

The Program is exempt from income taxes under Section 115 of the Internal Revenue Code.

### **Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant estimate affecting the Program's financial statements is the estimated liability for unpaid claims and claims adjustment expenses. This estimate is based on management's evaluation of currently known claims and claims adjustment expenses, historical trends and certain actuarial assumptions. It is likely that actual results could differ significantly from estimated amounts, and such differences could be material to the Program's financial statements.

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Notes to Financial Statements December 31, 2023 and 2022

### NOTE 2: DEPOSITS AND INVESTMENTS

#### Policy

The Program's deposits with financial institutions and investments are subject to the requirements of the *Group Surplus Investment Policy*, effective January 1, 2008, which has been approved by the AWCC. In addition, the Board has set forth specific deposit and investment requirements in an *Investment Policy Statement*, as amended (the Policy).

#### Cash and Cash Equivalents

At December 31, cash and cash equivalents include the following:

	2023	2022
Demand deposit account	\$ 2,666,233	\$ 1,021,189
Equity in pooled cash management accounts	7,393,926	6,953,533
Money market mutual fund	4,444,343	7,886,243
	\$ 14,504,502	\$ 15,860,965

The demand deposit account and the cash management accounts are insured by the Federal Deposit Insurance Corporation (FDIC), and any amounts exceeding FDIC insurance limits are fully collateralized with securities pledged by the financial institution and held in the name of the League or irrevocable standby letters of credit issued by the Federal Home Loan Bank in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League. At December 31, 2023 and 2022, all demand deposit and cash management account balances were fully insured by the FDIC and/or fully collateralized by the financial institution, thus mitigating any custodial credit risk, which is the risk that the Program will not recover balances on deposit in the event of financial institution failure. The money market mutual fund is an open-ended mutual fund rated AAA-mf at December 31, 2023 and 2022. The open-ended mutual fund, which invests primarily in U.S. Treasury securities and U.S. Treasury Coupons, is not subject to custodial credit risk.

#### Investments

The Program may invest in direct obligations of the state of Arkansas, municipal entities located within the state of Arkansas, the U.S. Treasury and U.S. agency and government-sponsored entities. The Program may also invest in U.S. dollar denominated deposit accounts, federal funds, bankers' acceptances, commercial paper, money market mutual funds, general obligation municipal bonds of Arkansas cities and corporate bonds, subject to minimum credit rating requirements, maximum maturity limitations and portfolio concentration restrictions, as specified in the Policy. All of the Program's investments are held by an agent of the League in the name of the League on behalf of the Program.

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

As of December 31, 2023 and 2022, the Program's investment portfolio is composed of the following (excluding money market mutual funds, which are classified as cash and cash equivalents for purposes of financial reporting):

	<b>2023</b>		
	<b>Fair Value</b>	<b>Weighted Average Life (Years)<sup>(1)</sup></b>	<b>Credit Rating</b>
U.S. Treasury obligations	\$ 24,298,250	1.84	AA + to NR
U.S. agency and government-sponsored entity obligations	3,126,505	4.09	AA + to NR
Corporate notes and bonds	3,103,488	3.44	A+ to A-
	<b>\$ 30,528,243</b>		
	<b>2022</b>		
	<b>Fair Value</b>	<b>Weighted Average Life (Years)<sup>(1)</sup></b>	<b>Credit Rating</b>
U.S. Treasury obligations	\$ 17,983,826	2.72	Aaa
U.S. agency and government-sponsored entity obligations	3,022,588	5.08	Aaa
Corporate notes and bonds	4,493,614	3.07	Aa1 to A3
	<b>\$ 25,500,028</b>		

<sup>(1)</sup> Includes the likely impact of call features.

**Investment Valuation**

The following is a description of the valuation methodologies used to determine the fair values of investments. There have been no changes in the methodologies used at December 31, 2023 and 2022.

The fair value of the money market mutual fund is based on the net asset value per share of the fund as of the close of business on the reporting date. U.S. Treasury and U.S. agency and government-sponsored entity obligations are valued based on reported settled trades. Fair values of corporate notes and bonds are determined by an independent pricing service using industry accepted pricing models and observable inputs that vary based on the type of bonds.

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investment Valuation (Continued)**

The following table sets forth by level, within the fair value hierarchy described in Note 1, the Program's investments as of December 31, 2023 and 2022:

Type	2023			
	Fair Value	Level 1	Level 2	Level 3
<b>Classified as Cash and Cash Equivalents</b>				
Money market mutual fund	\$ 4,444,343	\$ 4,444,343	\$ -	\$ -
<b>Classified as Investments</b>				
U.S. Treasury obligations	\$ 24,298,250	\$ 24,298,250	\$ -	\$ -
U.S. agency and government-sponsored entity obligations	3,126,505	3,126,505	-	-
Corporate notes and bonds	3,103,488	-	3,103,488	-
	<u>\$ 30,528,243</u>	<u>\$ 27,424,755</u>	<u>\$ 3,103,488</u>	<u>\$ -</u>
Type	2022			
	Fair Value	Level 1	Level 2	Level 3
<b>Classified as Cash and Cash Equivalents</b>				
Money market mutual fund	\$ 7,886,243	\$ 7,886,243	\$ -	\$ -
<b>Classified as Investments</b>				
U.S. Treasury obligations	\$ 17,983,826	\$ 17,983,826	\$ -	\$ -
U.S. agency and government-sponsored entity obligations	3,022,588	3,022,588	-	-
Corporate notes and bonds	4,493,614	-	4,493,614	-
	<u>\$ 25,500,028</u>	<u>\$ 21,006,414</u>	<u>\$ 4,493,614</u>	<u>\$ -</u>

# Arkansas Municipal League

## Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

### **NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, securities with longer maturity periods are more sensitive to changes in interest rates. In accordance with the Policy, the Program manages its exposure to interest rate risk by limiting the duration to worst of the investment portfolio to five years. The duration to worst is the aggregate duration of all bonds in the portfolio computed using nearest call dates or maturity dates, whichever is scheduled to occur first. In addition, the Policy limits the actual maturity of any investment to fifteen years.

#### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the Policy, the Program manages its exposure to credit risk by limiting debt securities to those that are direct obligations of the U.S. government or U.S. government agency and government-sponsored entities, limiting corporate obligations to those that carry a minimum credit rating of A2/A at the time of initial purchase and limiting direct obligations of the state of Arkansas and municipal entities located within the state of Arkansas to those that carry a minimum credit rating of A2/A. Generally, a maximum of 25% of the investment portfolio (determined based on the fair value of the portfolio at the time of purchase) may be invested in corporate bonds, municipal bonds and commercial paper on a combined basis. The Policy does not limit the amount of investment in obligations of any one issuer.

#### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of investments that are in the possession of an outside party. All investments are held by an agent of the League in the name of the League on behalf of the Program.

### **NOTE 3: RESTRICTED ASSETS**

The Program has pledged and assigned a certificate of deposit to the AWCC in the amount of \$3,100,000 at December 31, 2023 and 2022, in order to satisfy the statutory reserve requirements of the AWCC. The balance is fully collateralized by securities pledged by the issuing financial institution. The collateral securities are held by an agent of the League in the name of the League and may not be released without consent of the League. This certificate of deposit matures annually on December 31 but will automatically renew unless the issuing financial institution is otherwise notified.

# Arkansas Municipal League

## Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

### **NOTE 4: TRANSACTIONS WITH THE LEAGUE**

The League maintains a supplemental aggregate reserve (the Reserve Fund) to cover significant, extraordinary claims of the Program and other benefit programs managed by the League, as well as certain operational costs. Each benefit program covered by the Reserve Fund is assessed an annual reserve fee. The reserve fee attributable to the Program during 2023 and 2022 was equal to 10% of expected annual premiums in the previous year, payable in March.

The League charges a service fee to recover costs other than those related to payroll incurred in the administration of the Program. The fee is calculated based on a percentage of the fair value of the Program's cash and investments as of February 28, payable in March. In 2023 and 2022, the percentage was 3% and 2%, respectively.

The Program reimburses the League for a portion of personnel costs attributable to employees of the League who are directly involved in the administration of the Program. These reimbursements totaled \$1,056,296 and \$941,169 during the years ended December 31, 2023 and 2022, respectively. In addition, a portion of personnel costs attributable to certain employees of the League who are directly involved in the administration of the Program are paid directly from the League's General Operating and Reserve Funds and are not reimbursed by the Program. Amounts paid by the League's General Operating and Reserve Funds are subject to change annually at the discretion of the League's Executive Committee. These amounts, which totaled \$150,019 and \$77,655 during the years ended December 31, 2023 and 2022, respectively, are reported in the Program's financial statements as operating subsidies - personnel costs.

All investment advisory services fees are paid by the Reserve Fund.

Certain employees of the League perform accounting, legal and other administrative duties for the Program. Personnel costs associated with these employees are paid by the League's General Operating Fund and are not reported in the Program's financial statements as management of the League believes such amounts are not readily determinable and would not be material to the Program's financial statements.

During the year ended December 31, 2022, the Executive Committee of the League voted that the Reserve Fund would reimburse the Program for amounts paid in excess of \$600,000 on individual claims paid during the period from July 1, 2021 through June 30, 2022, and the Program received \$121,824 from the Reserve Fund for claims in excess of \$600,000. During the year ended December 31, 2023, the threshold for reimbursement for claims paid during the period July 1, 2022 through June 30, 2023, was reduced to \$400,000, and the Program received \$31,460 from the Reserve Fund for claims in excess of \$400,000.

Employees of the League are insured through the Program. Premiums paid by the League to the Program totaled \$8,456 and \$11,168 for the years ended December 31, 2023 and 2022, respectively.

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Notes to Financial Statements December 31, 2023 and 2022

### **NOTE 5: LIABILITY FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES**

As disclosed in Note 1, the Program establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Program as of and for the years ended December 31:

	<b>2023</b>	<b>2022</b>
Liability for unpaid claims and claims adjustment expenses at beginning of year	\$ 30,942,757	\$ 31,009,679
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current year	12,698,313	10,475,715
Decrease in provision for insured events of prior years	(4,004,234)	(2,776,600)
Total incurred claims and claim adjustment expenses	39,636,836	38,708,794
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current year	\$ 2,747,490	\$ 3,342,048
Claims and claims adjustment expenses attributable to insured events of prior years	4,837,100	4,423,989
	7,584,590	7,766,037
	\$ 32,052,246	\$ 30,942,757
Liability for unpaid claims and claims adjustment expenses at end of year:		
Current portion	\$ 12,632,246	\$ 12,037,757
Long-term portion	19,420,000	18,905,000
	\$ 32,052,246	\$ 30,942,757

### **NOTE 6: CONTINGENCIES**

The Program is, by nature, the subject of a variety of claims on a continuing basis. Management intends to contest or deny claims that are not allowable under relevant laws and regulations. Additional losses in excess of the liability for unpaid claims and claims adjustment expenses are possible; however, the amount of additional losses, if any, cannot be reasonably estimated. Accordingly, no provision for such additional losses has been made in the accompanying financial statements.

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

## **NOTE 7: PENSIONS**

### **Plan Description**

Employees of the League who meet certain eligibility requirements participate in Arkansas Public Employees Retirement System (APERS), which is a cost-sharing multiple-employer defined benefit plan created by the Arkansas Legislature (the Plan). APERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan participants and beneficiaries. Plan participants are fully vested in benefits provided under APERS upon reaching five years of service. 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.

### **Contributions**

Plan participants hired after July 1, 2005, are required to contribute 5.50% (5.25% prior to July 1, 2023, and 5.00% prior to July 1, 2022) of their annual covered salary, and participating employers are 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% from January 1, 2022 through December 31, 2023. The League's total contributions for the Plan years ended June 30, 2023 and 2022, for all covered employees were \$1,109,214 and \$1,083,926, respectively, which were equal to the required contributions. Contributions made by the League to APERS for employees directly involved in management and operation of the Program were \$107,705 and \$106,658 for the Plan years ended June 30, 2023 and 2022, respectively.

### **Net Pension Liability**

At December 31, 2023 and 2022, the League's proportionate share of the total net pension liability of APERS was \$9,519,688 and \$9,126,178, respectively. The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The League's proportionate share of the net pension liability was based on a projection of the League's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2023 and 2022, the League's proportionate share of APERS total net pension liability was 0.33% and 0.34%, respectively. The Program's proportionate share of APERS total net pension liability was 0.03% at June 30, 2023 and 2022, resulting in a net pension liability of \$924,361 and \$898,073, respectively. These amounts are reported as a long-term liabilities on the Program's statements of net position at December 31, 2023 and 2022.

### **Pension Expense, Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions**

During the years ended June 30, 2023 and 2022, the League's proportionate share of pension plan expense attributable to all participating employer entities was \$1,845,944 and \$1,109,663 respectively. The proportionate share of pension plan expense for employees directly involved in management and operation of the Program was \$179,241 and \$109,191 for the years ended June 30, 2023 and 2022, respectively. These amounts are included in personnel costs in the Program's statements of revenues, expenses and changes in net position.



# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 7: PENSIONS (Continued)**

**Pension Expense, Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions (Continued)**

The League's deferred outflow of resources at December 31, 2023 and 2022, is attributable to the following:

	<b>League</b>	
	<b>2023</b>	<b>2022</b>
Differences between expected and actual experience	\$ 537,367	\$ 219,073
Net difference between projected and actual investment earnings on pension plan investments	1,184,859	1,925,306
Changes in proportion and differences between employer contributions and proportionate share of contributions	121,046	369,414
Changes of assumptions	447,543	-
League contributions subsequent to the measurement date	595,601	552,732
Total deferred outflow of resources	\$ 2,886,416	\$ 3,066,525

At December 31, 2023 and 2022, the Program's statements of net position report an allocation of the League's deferred outflow of resources related to pensions from the following:

	<b>Program</b>	
	<b>2023</b>	<b>2022</b>
Differences between expected and actual experience	\$ 52,178	\$ 21,557
Difference between projected and actual investment earnings on pension plan investments	115,050	189,450
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,754	36,350
Change in assumptions	43,456	-
League contributions subsequent to the measurement date	57,832	54,388
Total deferred outflow of resources	\$ 280,270	\$ 301,745

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 7: PENSIONS (Continued)**

**Pension Expense, Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions (Continued)**

The League's deferred inflow of resources at December 31, 2023 and 2022, is attributable to the following:

	League	
	2023	2022
Differences between expected and actual experience	\$ 52,297	\$ 110,192
Changes in proportion and differences between employer contributions and proportionate share of contributions	181,093	2,362
Total deferred inflow of resources	\$ 233,390	\$ 112,554

At December 31, 2023 and 2022, the Program's statements of net position report an allocation of the League's deferred inflow of resources related to pensions from the following:

	Program	
	2023	2022
Differences between expected and actual experience	\$ 5,078	\$ 10,843
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,585	233
Total deferred inflow of resources	\$ 22,663	\$ 11,076

The deferred outflow of resources resulting from contributions made subsequent to the measurement dates (June 30, 2023 and 2022) totaling \$595,601 and \$552,732 for the League and \$57,832 and \$54,388 for the Program is recognized as a reduction of the net pension liability during the years ended December 31, 2023 and 2022, respectively.

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

	League	Program
Year ending December 31,		
2024	\$ 556,163	\$ 54,003
2025	186,408	18,100
2026	1,394,824	135,437
2027	(79,970)	(7,765)
Thereafter	-	-

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Notes to Financial Statements December 31, 2023 and 2022

**NOTE 7: PENSIONS (Continued)**

**Actuarial Assumptions**

The total net pension liability in the June 30, 2023 and 2022 actuarial valuations was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation
	2.50% price inflation
Salary increases	3.25 - 9.85% including inflation
Investment rate of return <sup>(1)</sup>	7.00% (2023), 7.15% (2022)

<sup>(1)</sup> Net of investment and administrative expenses.

Mortality rates in the June 30, 2023 and 2022 actuarial valuation were based on the RP-2006 healthy annuitant benefit weighted generational mortality tables for males and females, adjusted for fully generational mortality improvements using Scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the APERS target asset allocation as of June 30, 2023, are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</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%
Total	<u>100%</u>	

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 7: PENSIONS (Continued)**

**Changes in Net Pension Liability**

The following table shows changes in the League's net pension liability during the Plan year ended June 30, 2023:

	<u>League Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at July 1, 2022	\$ 38,898,540	\$ 29,772,362	\$ 9,126,178
Changes in the year:			
Service cost	733,939	-	733,939
Interest on the total pension liability	2,850,628	-	2,850,628
Differences between expected and actual experience	556,203	-	556,203
Contributions from the employer	-	1,109,214	(1,109,214)
Contributions from employees	-	301,713	(301,713)
Changes of assumption	611,833	-	611,833
Net investment income	-	2,644,382	(2,644,382)
Benefit payments, including refunds of employee contributions	(2,206,987)	(2,206,987)	-
Administrative expense	-	(34,187)	34,187
Other	-	337,971	(337,971)
Net changes	<u>2,545,616</u>	<u>2,152,106</u>	<u>393,510</u>
Balance at June 30, 2023	<u>\$ 41,444,156</u>	<u>\$ 31,924,468</u>	<u>\$ 9,519,688</u>

# Arkansas Municipal League Municipal League Workers' Compensation Program

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE 7: PENSIONS (Continued)**

**Change is in Net Pension Liability (Continued)**

The following table shows the Program's changes in the net pension liability for the Plan year during the year ended June 30, 2023:

	Program Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2022	\$ 3,725,984	\$ 2,827,911	\$ 898,073
Changes in the year:			
Service cost	71,266	-	71,266
Interest on the total pension liability	276,799	-	276,799
Differences between expected and actual experience	54,008	-	54,008
Contributions from the employer	-	107,706	(107,706)
Contributions from employees	-	29,297	(29,297)
Changes of assumption	59,410	-	59,410
Net investment income	-	256,772	(256,772)
Benefit payments, including refunds of employee contributions	(214,301)	(214,301)	-
Administrative expense	-	(3,320)	3,320
Other	-	44,740	(44,740)
Net changes	<u>247,182</u>	<u>220,894</u>	<u>26,288</u>
Balance at June 30, 2023	<u>\$ 3,973,166</u>	<u>\$ 3,048,805</u>	<u>\$ 924,361</u>

**Discount Rate**

The discount rates used by APERS to measure the total pension liability at June 30, 2023 and 2022 were 7.00% and 7.15%, respectively. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the 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.

**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**NOTE 7: PENSIONS (Continued)**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the proportionate share of the 2023 net pension liability calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>Discount Rate</u>	<u>League</u>	<u>Program</u>
1% decrease	6.00%	\$ 15,173,525	\$ 1,473,349
Current discount rate	7.00%	\$ 9,519,688	\$ 924,361
1% increase	8.00%	\$ 4,861,460	\$ 472,048

**Plan Information**

Detailed information about the APERS Plan's fiduciary net position is available in the separately issued APERS Plan financial report, which may be obtained by making a written request at 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling 501-682-7800 or 800-682-7377.

For purposes of measuring the net pension liability, pension expense, and related deferred outflow and deferred inflow of resources related to pensions, information about the fiduciary net pension of APERS and additions to/deductions form APERS fiduciary net position has been determined on the same basis as they are reported by APERS. 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.

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## **Required Supplementary Information**



# Arkansas Municipal League Municipal League Workers' Compensation Program

## Required Supplementary Information Claims Development Information For the Years Ended December 31, 2014 through December 31, 2023 (In thousands)

	December 31			
	2014	2015	2016	2017
1. Premiums earned and investment income, net of excess reserve fees, premiums refunds and investment expenses:				
Earned	\$ 15,034	\$ 14,880	\$ 15,395	\$ 15,018
Excess reserve fee	1,441	1,486	1,439	1,441
Net earned	<u>\$ 13,593</u>	<u>\$ 13,394</u>	<u>\$ 13,956</u>	<u>\$ 13,577</u>
2. Unallocated expenses	<u>\$ 3,238</u>	<u>\$ 3,194</u>	<u>\$ 3,095</u>	<u>\$ 3,545</u>
3. Estimated incurred claims and expenses, end of policy year	<u>\$ 5,323</u>	<u>\$ 7,048</u>	<u>\$ 5,650</u>	<u>\$ 6,279</u>
4. Paid (cumulative) as of:				
End of policy year	\$ 3,020	\$ 3,919	\$ 2,622	\$ 2,745
One year later	\$ 4,909	\$ 6,987	\$ 5,086	\$ 4,726
Two years later	\$ 5,727	\$ 8,110	\$ 6,503	\$ 5,204
Three years later	\$ 5,967	\$ 8,873	\$ 7,004	\$ 5,556
Four years later	\$ 6,166	\$ 9,610	\$ 7,374	\$ 5,814
Five years later	\$ 6,220	\$ 10,237	\$ 7,568	\$ 6,065
Six years later	\$ 6,267	\$ 10,303	\$ 7,770	\$ 6,212
Seven years later	\$ 6,308	\$ 10,462	<u>\$ 7,928</u>	
Eight years later	\$ 6,373	<u>\$ 10,525</u>		
Nine years later	<u>\$ 6,435</u>			
5. Reestimated incurred claims and expense:				
End of policy year	\$ 5,323	\$ 7,048	\$ 5,650	\$ 6,279
One year later	\$ 6,021	\$ 8,461	\$ 6,720	\$ 5,824
Two years later	\$ 6,184	\$ 9,704	\$ 7,535	\$ 6,065
Three years later	\$ 6,302	\$ 10,283	\$ 8,317	\$ 6,316
Four years later	\$ 6,486	\$ 10,374	\$ 8,292	\$ 6,625
Five years later	\$ 6,477	\$ 10,621	\$ 8,386	\$ 6,744
Six years later	\$ 6,508	\$ 10,676	\$ 8,589	\$ 6,706
Seven years later	\$ 6,508	\$ 10,767	<u>\$ 8,600</u>	
Eight years later	\$ 6,544	<u>\$ 10,666</u>		
Nine years later	<u>\$ 6,554</u>			
(Increase) decrease in estimated incurred claims and expense from end of policy year	<u>\$ 1,231</u>	<u>\$ 3,618</u>	<u>\$ 2,950</u>	<u>\$ 427</u>

*(Continued)*

See Independent Auditor's Report.

**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

Required Supplementary Information  
Claims Development Information *(Continued)*  
For the Years Ended December 31, 2014 through December 31, 2023  
(In thousands)

December 31					
2018	2019	2020	2021	2022	2023
\$ 13,670	\$ 13,303	\$ 14,178	\$ 13,317	\$ 12,890	\$ 16,289
1,327	1,202	1,282	1,352	1,393	1,346
<u>\$ 12,343</u>	<u>\$ 12,101</u>	<u>\$ 12,896</u>	<u>\$ 11,965</u>	<u>\$ 11,497</u>	<u>\$ 14,943</u>
<u>\$ 3,154</u>	<u>\$ 2,981</u>	<u>\$ 2,726</u>	<u>\$ 3,007</u>	<u>\$ 3,178</u>	<u>\$ 3,795</u>
<u>\$ 4,230</u>	<u>\$ 6,531</u>	<u>\$ 5,579</u>	<u>\$ 7,454</u>	<u>\$ 5,990</u>	<u>\$ 5,802</u>
\$ 2,552	\$ 2,677	\$ 2,353	\$ 3,511	\$ 3,342	<u>\$ 2,747</u>
\$ 3,792	\$ 4,428	\$ 4,479	\$ 5,464	<u>\$ 5,722</u>	
\$ 4,153	\$ 4,883	\$ 5,175	<u>\$ 6,060</u>		
\$ 4,232	\$ 5,195	<u>\$ 5,610</u>			
\$ 4,316	<u>\$ 5,416</u>				
<u>\$ 4,383</u>					
\$ 4,230	\$ 6,531	\$ 5,579	\$ 7,454	\$ 5,990	<u>\$ 5,802</u>
\$ 4,527	\$ 6,848	\$ 6,635	\$ 7,735	<u>\$ 7,003</u>	
\$ 4,682	\$ 6,764	\$ 6,698	<u>\$ 7,429</u>		
\$ 4,550	\$ 5,976	<u>\$ 6,670</u>			
\$ 4,459	<u>\$ 6,153</u>				
<u>\$ 4,519</u>					
<u>\$ 289</u>	<u>\$ (378)</u>	<u>\$ 1,091</u>	<u>\$ (25)</u>	<u>\$ 1,013</u>	<u>\$ -</u>

See Independent Auditor's Report.

## Arkansas Municipal League Municipal League Workers' Compensation Program

### Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability For the Plan Years Ended June 30, 2015 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>LEAGUE</b>									
Proportionate share of the net pension liability (percentage)	0.33%	0.34%	0.34%	0.32%	0.30%	0.30%	0.31%	0.33%	0.29%
Proportionate share of the net pension liability (dollars)	\$ 9,519,688	\$ 9,126,178	\$ 2,596,707	\$ 9,176,320	\$ 7,171,264	\$ 6,627,850	\$ 7,885,196	\$ 7,879,379	\$ 5,258,812
Covered-employee payroll	\$ 7,294,993	\$ 7,125,091	\$ 6,757,990	\$ 6,267,743	\$ 5,754,891	\$ 5,656,548	\$ 5,515,805	\$ 5,972,434	\$ 5,121,520
Proportionate share of the net pension liability as a percentage of covered-employee payroll	130%	128%	38%	146%	125%	117%	143%	132%	103%
Plan fiduciary net position as a percentage of the total pension liability	78%	78%	94%	75%	79%	80%	76%	76%	80%
<b>PROGRAM</b>									
Proportionate share of the net pension liability (percentage)	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%
Proportionate share of the net pension liability (dollars)	\$ 924,361	\$ 898,073	\$ 233,444	\$ 778,152	\$ 705,652	\$ 649,529	\$ 889,056	\$ 898,249	\$ 727,819
Covered-employee payroll	\$ 708,693	\$ 701,400	\$ 607,803	\$ 531,651	\$ 566,102	\$ 554,350	\$ 621,915	\$ 680,649	\$ 708,568
Proportionate share of the net pension liability as a percentage of covered-employee payroll	130%	128%	38%	146%	125%	117%	143%	132%	103%
Plan fiduciary net position as a percentage of the total pension liability	78%	78%	94%	75%	80%	80%	76%	76%	80%

GASB Statement No. 68 was implemented in 2015, therefore only nine years of information are shown.

**See Independent Auditor's Report.**

## Arkansas Municipal League Municipal League Workers' Compensation Program

### Required Supplementary Information Schedule of Contributions to Arkansas Public Employees Retirement System For the Plan Years Ended June 30, 2015 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>LEAGUE</b>									
Required contributions	\$ 1,109,214	\$ 1,083,926	\$ 1,033,245	\$ 957,885	\$ 871,451	\$ 830,105	\$ 797,431	\$ 870,580	\$ 783,228
Contributions in relation to the required contribution	<u>1,109,214</u>	<u>1,083,926</u>	<u>1,033,245</u>	<u>957,885</u>	<u>871,451</u>	<u>830,105</u>	<u>797,431</u>	<u>870,580</u>	<u>783,228</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 7,294,993</u>	<u>\$ 7,125,091</u>	<u>\$ 6,757,990</u>	<u>\$ 6,267,743</u>	<u>\$ 5,754,891</u>	<u>\$ 5,656,548</u>	<u>\$ 5,515,805</u>	<u>\$ 5,972,434</u>	<u>\$ 5,121,520</u>
Contribution as a percentage of covered-employee payroll	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>14%</u>	<u>15%</u>	<u>15%</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>PROGRAM</b>									
Required contributions	\$ 107,705	\$ 106,658	\$ 92,889	\$ 81,229	\$ 85,751	\$ 81,350	\$ 89,910	\$ 99,246	\$ 108,399
Contributions in relation to the required contribution	<u>107,705</u>	<u>106,658</u>	<u>92,889</u>	<u>81,229</u>	<u>85,751</u>	<u>81,350</u>	<u>89,910</u>	<u>99,246</u>	<u>108,399</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 708,693</u>	<u>\$ 701,400</u>	<u>\$ 607,803</u>	<u>\$ 531,651</u>	<u>\$ 566,102</u>	<u>\$ 554,350</u>	<u>\$ 621,915</u>	<u>\$ 680,649</u>	<u>\$ 780,568</u>
Contribution as a percentage of covered-employee payroll	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>14%</u>	<u>15%</u>	<u>15%</u>

GASB Statement No. 68 was implemented in 2015, therefore only nine years of information are shown.

See Independent Auditor's Report.

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## **Other Supplementary Information**

## Arkansas Municipal League Municipal League Workers' Compensation Program

Schedule of Income, Expenses and Claims Paid by Fund Year  
Years Ended December 31, 2003 through December 31, 2023,  
the Six Months Ended December 31, 2002 and the Years Ended  
June 30, 1986 through June 30, 2002

	Cumulative Total	December 31						
		2023	2022	2021	2020	2019	2018	2017
<b>INCOME</b>								
Premiums earned to date	\$ 369,357,847	\$ 14,055,438	\$ 14,078,114	\$ 13,454,362	\$ 12,716,305	\$ 11,894,019	\$ 13,275,063	\$ 14,687,694
Investment income	37,623,477	2,251,165	(1,170,805)	(119,793)	1,479,300	1,504,305	489,906	452,624
Operating transfers	2,249,238	181,479	199,479	76,013	448,125	193,128	13,880	91,301
Other income	551	-	-	-	-	-	-	-
<b>Total Income</b>	<b>409,231,113</b>	<b>16,488,082</b>	<b>13,106,788</b>	<b>13,410,582</b>	<b>14,643,730</b>	<b>13,591,452</b>	<b>13,778,849</b>	<b>15,231,619</b>
<b>CHARGES TO FUND</b>								
Claims paid to date:								
Gross incurred claims	243,605,656	2,747,490	5,722,342	6,059,929	5,610,488	5,415,602	4,382,292	6,212,288
Less excess over retention	637,858	-	-	-	-	-	-	-
<b>Net Claims Paid</b>	<b>242,967,798</b>	<b>2,747,490</b>	<b>5,722,342</b>	<b>6,059,929</b>	<b>5,610,488</b>	<b>5,415,602</b>	<b>4,382,292</b>	<b>6,212,288</b>
Reserves on open claims	12,632,246	4,054,333	1,280,258	1,369,426	1,049,246	737,265	137,077	493,385
Actuary reserves	19,420,000	4,149,000	2,641,000	1,690,000	1,177,000	1,014,000	897,000	828,000
Excess reserve fee/reinsurance	32,527,096	1,346,404	1,393,038	1,351,993	1,281,915	1,201,735	1,327,288	1,441,164
Service fee	30,910,115	1,567,142	1,063,486	1,033,592	946,850	899,608	885,437	1,058,022
Operating expenses	55,623,940	2,245,372	2,132,128	1,990,628	1,796,570	2,176,248	2,363,614	2,608,830
Pension adjustment	613,551	-	-	-	-	-	-	-
<b>Total Charges to Fund</b>	<b>394,694,746</b>	<b>16,109,741</b>	<b>14,232,252</b>	<b>13,495,568</b>	<b>11,862,069</b>	<b>11,444,458</b>	<b>9,992,708</b>	<b>12,641,689</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ 14,536,367</b>	<b>\$ 378,341</b>	<b>\$ (1,125,464)</b>	<b>\$ (84,986)</b>	<b>\$ 2,781,661</b>	<b>\$ 2,146,994</b>	<b>\$ 3,786,141</b>	<b>\$ 2,589,930</b>

See Independent Auditor's Report.

**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

**Schedule of Income, Expenses and Claims Paid by Fund Year (Continued)  
Years Ended December 31, 2003 through December 31, 2023,  
the Six Months Ended December 31, 2002 and the Years Ended  
June 30, 1986 through June 30, 2002**

	December 31							
	2016	2015	2014	2013	2012	2011	2010	2009
<b>INCOME</b>								
Premiums earned to date	\$ 15,098,692	\$ 14,581,100	\$ 14,420,173	\$ 13,632,300	\$ 12,754,567	\$ 13,516,035	\$ 9,518,841	\$ 11,018,862
Investment income	362,530	350,295	624,119	(117,848)	437,335	783,684	884,687	526,135
Operating transfers	144,102	497,926	122,661	120,993	160,151	-	-	-
Other income	-	-	-	-	-	-	-	-
<b>Total Income</b>	<u>15,605,324</u>	<u>15,429,321</u>	<u>15,166,953</u>	<u>13,635,445</u>	<u>13,352,053</u>	<u>14,299,719</u>	<u>10,403,528</u>	<u>11,544,997</u>
<b>CHARGES TO FUND</b>								
Claims paid to date:								
Gross incurred claims	7,928,297	10,524,800	6,434,725	6,920,839	7,637,213	8,134,147	8,982,082	10,857,406
Less excess over retention	-	-	-	-	-	-	-	-
<b>Net Claims Paid</b>	7,928,297	10,524,800	6,434,725	6,920,839	7,637,213	8,134,147	8,982,082	10,857,406
Reserves on open claims	671,308	141,367	119,123	73,587	458,947	145,242	59,626	317,142
Actuary reserves	855,000	1,265,000	641,000	646,000	427,000	568,000	479,000	137,000
Excess reserve fee/reinsurance	1,439,268	1,486,429	1,441,409	1,356,928	1,281,676	1,355,801	958,406	1,093,933
Service fee	962,771	954,930	925,602	852,067	769,546	745,005	1,138,066	1,148,784
Operating expenses	2,198,483	2,290,391	2,322,699	2,271,663	2,318,144	2,242,481	2,251,684	1,999,360
Pension adjustment	-	613,551	-	-	-	-	-	-
<b>Total Charges to Fund</b>	<u>14,055,127</u>	<u>17,276,468</u>	<u>11,884,558</u>	<u>12,121,084</u>	<u>12,892,526</u>	<u>13,190,676</u>	<u>13,868,864</u>	<u>15,553,625</u>
<b>SURPLUS (DEFICIT)</b>	<u>\$ 1,550,197</u>	<u>\$ (1,847,147)</u>	<u>\$ 3,282,395</u>	<u>\$ 1,514,361</u>	<u>\$ 459,527</u>	<u>\$ 1,109,043</u>	<u>\$ (3,465,336)</u>	<u>\$ (4,008,628)</u>

See Independent Auditor's Report.



**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

**Schedule of Income, Expenses and Claims Paid by Fund Year (Continued)  
Years Ended December 31, 2003 through December 31, 2023,  
the Six Months Ended December 31, 2002 and the Years Ended  
June 30, 1986 through June 30, 2002**

	December 31						
	2008	2007	2006	2005	2004	2003	2002
<b>INCOME</b>							
Premiums earned to date	\$ 13,427,364	\$ 13,008,714	\$ 10,796,169	\$ 10,027,877	\$ 9,214,148	\$ 8,311,366	\$ 4,191,077
Investment income	2,328,115	2,670,812	1,249,671	485,991	485,236	773,528	1,429,549
Operating transfers	-	-	-	-	-	-	-
Other income	-	-	-	240	-	-	-
<b>Total Income</b>	<u>15,755,479</u>	<u>15,679,526</u>	<u>12,045,840</u>	<u>10,514,108</u>	<u>9,699,384</u>	<u>9,084,894</u>	<u>5,620,626</u>
<b>CHARGES TO FUND</b>							
Claims paid to date:							
Gross incurred claims	8,451,877	8,185,844	8,942,743	8,288,649	11,891,503	8,652,733	4,081,875
Less excess over retention	-	-	-	-	-	-	-
<b>Net Claims Paid</b>	<u>8,451,877</u>	<u>8,185,844</u>	<u>8,942,743</u>	<u>8,288,649</u>	<u>11,891,503</u>	<u>8,652,733</u>	<u>4,081,875</u>
Reserves on open claims	152,185	264,503	88,924	51,086	671,484	59,351	6,191
Actuary reserves	376,000	178,000	294,000	251,000	98,000	182,000	83,000
Excess reserve fee/reinsurance	1,250,250	1,215,881	1,009,402	965,593	989,106	834,439	726,457
Service fee	1,151,442	1,068,282	992,257	1,007,002	995,776	954,599	460,270
Operating expenses	2,047,331	1,709,595	1,471,418	1,345,995	1,328,996	1,255,925	796,744
Pension adjustment	-	-	-	-	-	-	-
<b>Total Charges to Fund</b>	<u>13,429,085</u>	<u>12,622,105</u>	<u>12,798,744</u>	<u>11,909,325</u>	<u>15,974,865</u>	<u>11,939,047</u>	<u>6,154,537</u>
<b>SURPLUS (DEFICIT)</b>	<u>\$ 2,326,394</u>	<u>\$ 3,057,421</u>	<u>\$ (752,904)</u>	<u>\$ (1,395,217)</u>	<u>\$ (6,275,481)</u>	<u>\$ (2,854,153)</u>	<u>\$ (533,911)</u>

See Independent Auditor's Report.

**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

**Schedule of Income, Expenses and Claims Paid by Fund Year (Continued)  
Years Ended December 31, 2003 through December 31, 2023,  
the Six Months Ended December 31, 2002 and the Years Ended  
June 30, 1986 through June 30, 2002**

	June 30								
	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>INCOME</b>									
Premiums earned to date	\$ 8,709,818	\$ 9,282,133	\$ 4,893,598	\$ 4,045,573	\$ 7,990,363	\$ 7,772,443	\$ 8,414,883	\$ 9,586,481	\$ 7,738,970
Investment income	2,239,852	2,954,532	1,296,818	1,307,571	2,202,905	1,821,466	1,472,370	1,217,398	939,363
Operating transfers	-	-	-	-	-	-	-	-	-
Other income	311	-	-	-	-	-	-	-	-
<b>Total Income</b>	<u>10,949,981</u>	<u>12,236,665</u>	<u>6,190,416</u>	<u>5,353,144</u>	<u>10,193,268</u>	<u>9,593,909</u>	<u>9,887,253</u>	<u>10,803,879</u>	<u>8,678,333</u>
<b>CHARGES TO FUND</b>									
Claims paid to date:									
Gross incurred claims	7,559,521	7,141,777	7,557,757	5,182,033	5,341,019	5,315,803	5,418,219	5,968,147	4,843,054
Less excess over retention	-	-	-	-	-	-	-	35,000	-
<b>Net Claims Paid</b>	7,559,521	7,141,777	7,557,757	5,182,033	5,341,019	5,315,803	5,418,219	5,933,147	4,843,054
Reserves on open claims	52,424	20,684	12,387	9,851	21,844	37,754	16,512	29,395	4,602
Actuary reserves	-	128,000	101,000	97,000	62,000	47,000	45,000	31,000	26,000
Excess reserve fee/reinsurance	667,071	709,264	802,603	902,309	341,765	288,231	210,000	210,000	210,000
Service fee	932,016	934,005	922,817	891,606	871,300	794,658	966,325	595,483	778,164
Operating expenses	1,215,714	1,054,712	919,461	823,868	893,212	802,035	797,920	927,162	642,021
Pension adjustment	-	-	-	-	-	-	-	-	-
<b>Total Charges to Fund</b>	<u>10,426,746</u>	<u>9,988,442</u>	<u>10,316,025</u>	<u>7,906,667</u>	<u>7,531,140</u>	<u>7,285,481</u>	<u>7,453,976</u>	<u>7,726,187</u>	<u>6,503,841</u>
<b>SURPLUS (DEFICIT)</b>	<u>\$ 523,235</u>	<u>\$ 2,248,223</u>	<u>\$ (4,125,609)</u>	<u>\$ (2,553,523)</u>	<u>\$ 2,662,128</u>	<u>\$ 2,308,428</u>	<u>\$ 2,433,277</u>	<u>\$ 3,077,692</u>	<u>\$ 2,174,492</u>

See Independent Auditor's Report.

**Arkansas Municipal League  
Municipal League Workers' Compensation Program**

**Schedule of Income, Expenses and Claims Paid by Fund Year (Continued)  
Years Ended December 31, 2003 through December 31, 2023,  
the Six Months Ended December 31, 2002 and the Years Ended  
June 30, 1986 through June 30, 2002**

June 30

	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>
<b>INCOME</b>								
Premiums earned to date	\$ 6,973,395	\$ 5,637,061	\$ 4,285,633	\$ 4,270,202	\$ 4,100,046	\$ 3,343,852	\$ 2,590,145	\$ 2,044,971
Investment income	878,409	792,086	639,234	601,705	441,680	308,702	231,833	117,012
Operating transfers	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
<b>Total Income</b>	<u>7,851,804</u>	<u>6,429,147</u>	<u>4,924,867</u>	<u>4,871,907</u>	<u>4,541,726</u>	<u>3,652,554</u>	<u>2,821,978</u>	<u>2,161,983</u>
<b>CHARGES TO FUND</b>								
Claims paid to date:								
Gross incurred claims	5,416,784	4,060,236	3,752,746	3,125,521	3,101,830	3,722,547	2,078,064	1,955,434
Less excess over retention	-	-	-	144,550	129,000	84,807	129,000	115,501
<b>Net Claims Paid</b>	5,416,784	4,060,236	3,752,746	2,980,971	2,972,830	3,637,740	1,949,064	1,839,933
Reserves on open claims	8,271	2,733	-	11,404	3,042	287	-	-
Actuary reserves	1,000	2,000	1,000	-	1,000	1,000	1,000	-
Excess reserve fee/reinsurance	210,000	210,000	210,000	210,000	210,000	210,000	(2)	177,338
Service fee	644,000	372,245	(2)	(2)	310,235	176,669	140,056	(2)
Operating expenses	502,427	567,312	712,924	731,511	368,978	504,317	605,699	390,368
Pension adjustment	-	-	-	-	-	-	-	-
<b>Total Charges to Fund</b>	<u>6,782,482</u>	<u>5,214,526</u>	<u>4,676,670</u>	<u>3,933,886</u>	<u>3,866,085</u>	<u>4,530,013</u>	<u>2,695,819</u>	<u>2,407,639</u>
<b>SURPLUS (DEFICIT)</b>	<u>\$ 1,069,322</u>	<u>\$ 1,214,621</u>	<u>\$ 248,197</u>	<u>\$ 938,021</u>	<u>\$ 675,641</u>	<u>\$ (877,459)</u>	<u>\$ 126,159</u>	<u>\$ (245,656)</u>

(2) Included in operating expenses.

See Independent Auditor's Report.

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Schedule of Investments Held During the Year Year Ended December 31, 2023

Security Type/Description	Interest Rate %	Maturity Date	Amount Invested (Cost)	Income Received	Book Yield % <sup>(1)</sup>	Duration (Years) <sup>(2)</sup>
<b>U.S. Agency and Government-Sponsored Entity Obligations</b>						
FFCBFC	1.125	6/1/2029	\$ 748,688	\$ 8,438	1.147	5.118
FHLMC	1.000	5/24/2029	\$ 498,750	\$ 5,000	1.031	5.118
FHLMC	1.000	5/25/2029	\$ 749,063	\$ 7,500	1.015	5.152
FNMA	2.125	4/24/2026	\$ 722,643	\$ 15,938	2.617	2.220
FNMA	1.875	9/24/2026	\$ 720,998	\$ 14,063	2.345	2.611
<b>U.S. Treasury Obligations</b>						
United States Treasury	0.000	3/28/2023	\$ 985,911	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	4/20/2023	\$ 490,499	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	5/9/2023	\$ 2,990,786	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	6/1/2023	\$ 488,605	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	6/20/2023	\$ 995,928	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	7/13/2023	\$ 2,962,832	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	8/17/2023	\$ 494,038	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	10/12/2023	\$ 975,885	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	11/24/2023	\$ 486,987	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	11/30/2023	\$ 954,601	-	Matured/Sold	Matured/Sold
United States Treasury	0.000	12/19/2023	\$ 995,757	-	Matured/Sold	Matured/Sold
United States Treasury	0.625	1/15/2024	\$ 1,988,715	\$ 12,086	0.516	0.022
United States Treasury	0.000	2/15/2024	\$ 493,668	-	5.216	0.130
United States Treasury	1.500	2/29/2024	\$ 997,891	\$ 15,000	1.608	0.169
United States Treasury	0.000	3/21/2024	\$ 1,973,353	-	5.314	0.224
United States Treasury	0.000	5/16/2024	\$ 963,290	-	5.188	0.373
United States Treasury	0.000	6/20/2024	\$ 1,948,277	-	5.280	0.464
United States Treasury	2.375	8/15/2024	\$ 516,914	\$ 11,875	1.606	0.609
United States Treasury	4.250	9/30/2024	\$ 996,172	\$ 42,500	4.455	0.726
United States Treasury	2.250	10/31/2024	\$ 502,207	\$ 11,250	2.181	0.812
United States Treasury	1.500	11/30/2024	\$ 499,336	\$ 7,500	1.528	0.895
United States Treasury	4.500	11/30/2024	\$ 501,563	\$ 22,500	4.329	0.888
United States Treasury	1.500	2/15/2025	\$ 991,367	\$ 15,000	1.800	1.093
United States Treasury	1.125	2/28/2025	\$ 510,977	\$ 5,625	0.676	1.135
United States Treasury	3.875	3/31/2025	\$ 498,242	\$ 9,688	4.062	1.198
United States Treasury	3.875	4/30/2025	\$ 495,700	\$ 9,685	4.341	1.28
United States Treasury	2.875	5/31/2025	\$ 531,621	\$ 14,375	1.640	1.368
United States Treasury	3.000	9/30/2025	\$ 536,387	\$ 22,500	1.658	1.673
United States Treasury	5.000	10/31/2025	\$ 250,469	-	4.897	1.729
United States Treasury	4.500	11/15/2025	\$ 505,859	\$ 22,500	4.070	1.776
United States Treasury	4.875	11/30/2025	\$ 503,965	-	4.444	1.812

**(Continued)**

**See Independent Auditor's Report.**

# Arkansas Municipal League Municipal League Workers' Compensation Program

## Schedule of Investments Held During the Year *(Continued)* Year Ended December 31, 2023

Security Type/Description	Interest Rate %	Maturity Date	Amount Invested (Cost)	Income Received	Book Yield % <sup>(1)</sup>	Duration (Years) <sup>(2)</sup>
<b>U.S. Treasury Obligations</b>						
<i>(Continued)</i>						
United States Treasury	0.500	2/28/2026	\$ 491,602	\$ 2,500	0.845	2.113
United States Treasury	0.750	3/31/2026	\$ 498,984	\$ 3,750	0.792	2.189
United States Treasury	3.625	5/15/2026	\$ 247,412	\$ 4,531	3.997	2.245
United States Treasury	0.875	6/30/2026	\$ 250,967	\$ 2,188	0.796	2.422
United States Treasury	1.625	10/31/2026	\$ 499,531	\$ 8,125	1.639	2.721
United States Treasury	4.375	12/15/2026	\$ 251,621	\$ -	4.142	2.751
United States Treasury	1.875	2/28/2027	\$ 998,789	\$ 18,750	1.901	3.01
United States Treasury	4.125	9/30/2027	\$ 994,922	\$ 41,250	4.239	3.416
United States Treasury	2.250	11/15/2027	\$ 518,594	\$ 11,250	1.740	3.649
United States Treasury	3.875	11/30/2027	\$ 502,090	\$ 19,375	3.780	3.594
United States Treasury	1.250	3/31/2028	\$ 250,430	\$ 3,125	1.224	4.056
United States Treasury	3.625	3/31/2028	\$ 250,791	\$ 4,531	3.555	3.869
United States Treasury	3.500	4/30/2028	\$ 247,100	\$ 4,375	3.759	3.96
United States Treasury	4.875	10/31/2028	\$ 254,648	\$ -	4.452	4.266
United States Treasury	4.375	11/30/2028	\$ 509,941	\$ -	3.928	4.388
United States Treasury	0.875	1/15/2029	\$ 520,596	\$ 4,169	0.062	2.443
United States Treasury	2.375	5/15/2029	\$ 529,023	\$ 11,875	1.707	4.956
United States Treasury	1.125	2/15/2031	\$ 957,031	\$ 11,250	1.594	6.68
<b>Corporate Notes &amp; Bonds</b>						
Apple Inc.	2.400	5/3/2023	\$ 724,740	\$ 9,000	Matured/Sold	Matured/Sold
Catepillar Financial Services Corp.	1.450	5/15/2025	\$ 513,395	\$ 7,250	0.889	1.334
International Business Machines Corp.	3.500	5/15/2029	\$ 542,330	\$ 17,500	2.502	4.807
John Deere Capital Corp.	1.750	3/9/2027	\$ 509,235	\$ 8,750	1.427	3.032
JP Morgan Chase & Co.	3.220	3/1/2025	\$ 722,666	\$ 24,150	3.880	0.171
Nike Inc.	2.250	5/1/2023	\$ 755,460	\$ 8,438	Matured/Sold	Matured/Sold
Pepsico Inc.	2.625	7/29/2029	\$ 516,665	\$ 13,125	2.240	5.007
Target Corp.	3.375	4/15/2029	\$ 544,385	\$ 16,875	2.305	4.685
<b>Total</b>				<u>\$ 529,155</u>		
<b>RECONCILIATION OF INCOME RECEIVED ABOVE TO INVESTMENT INCOME PER THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION</b>						
Income received				\$ 529,155		
Less 2022 accrued interest receivable				(134,920)		
Plus 2023 accrued interest receivable				163,241		
Plus interest on demand deposit account, money market mutual funds, equity in cash management account and certificate of deposit				<u>1,131,527</u>		
Investment income				<u>\$ 1,689,003</u>		

<sup>(1)</sup> At December 31, 2023 for securities held at that time.

<sup>(2)</sup> Likely call date taken into account for callable securities.

**See Independent Auditor's Report.**



**Arkansas Municipal League  
Firefighters Supplemental Income Protection Plan**

**Financial Statements  
December 31, 2023 and 2022  
(With Independent Auditor's Report Thereon)**

**Arkansas Municipal League  
Firefighters Supplemental Income Protection Plan**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Assets, Liabilities and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis	6
Notes to Financial Statements	7



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Municipal League Workers' Compensation Program  
North Little Rock, Arkansas

Management  
Arkansas Municipal League  
North Little Rock, Arkansas

### Opinion

We have audited the modified cash basis financial statements of the **Arkansas Municipal League Firefighters Supplemental Income Protection Plan (the Plan)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2023 and 2022, and the related statements of revenues, expenditures and changes in net position – modified cash basis for the years then ended, and the related notes to the financial statements. The Plan is a benefit program managed by the Arkansas Municipal League (the League), subject to the oversight of the Board of Trustees of the Municipal League Workers' Compensation Program.

In our opinion, the financial statements present fairly, in all material respects, the modified cash basis financial position of the **Arkansas Municipal League Firefighters Supplemental Income Protection Plan** as of December 31, 2023 and 2022, and the changes in its modified cash basis financial position for the years then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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.



Members of the Board of Trustees  
Municipal League Workers' Compensation Program  
Management  
Arkansas Municipal League

**Responsibilities of Management for the Financial Statements (Continued)**

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 Plan's 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 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 U.S. GAAS 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 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 U.S. GAAS, 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 Plan's 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 the Plan's 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.

Members of the Board of Trustees  
Municipal League Workers' Compensation Program  
Management  
Arkansas Municipal League

**Emphasis of Matter – Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The 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.

**Emphasis of Matter**

As disclosed in Note 1 of the financial statements, these financial statements present only balances and transactions that are directly attributable to the Plan and are not intended to present and do not present the financial position or results of operations of the League or any other benefit program managed by the League.

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

Little Rock, Arkansas  
April 10, 2024

## Financial Statements

**Arkansas Municipal League  
Firefighters Supplemental Income Protection Plan**

**Statements of Assets, Liabilities and Net Position – Modified Cash Basis  
December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,436,025	\$ 1,229,254
Investments	1,204,644	1,384,420
<b>TOTAL ASSETS</b>	<b>\$ 2,640,669</b>	<b>\$ 2,613,674</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Unearned annual fees	\$ 52,120	\$ 60,440
<b>Net Position</b>	2,588,549	2,553,234
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,640,669</b>	<b>\$ 2,613,674</b>

See accompanying notes to financial statements.

# Arkansas Municipal League Firefighters Supplemental Income Protection Plan

Statements of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis  
Years Ended December 31, 2023 and 2022

	2023	2022
<b>OPERATING REVENUES</b>		
Annual fees	\$ 73,600	\$ 80,320
<b>OPERATING EXPENDITURES</b>		
Claims paid	2,196	3,046
Service fee	102,342	109,481
Reserve fee	8,032	7,422
Other	-	150
<b>Total Operating Expenditures</b>	112,570	120,099
<b>Net Operating Loss</b>	(38,970)	(39,779)
<b>NONOPERATING REVENUES , NET</b>		
Investment income, net	81,398	222,278
Investment fees	(7,113)	(7,511)
<b>Total Nonoperating Revenues, Net</b>	74,285	214,767
<b>INCREASE IN NET POSITION</b>	35,315	174,988
<b>NET POSITION, BEGINNING OF YEAR</b>	2,553,234	2,378,246
<b>NET POSITION, END OF YEAR</b>	\$ 2,588,549	\$ 2,553,234

See accompanying notes to financial statements.

# Arkansas Municipal League Firefighters Supplemental Income Protection Plan

Notes to the Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

The Arkansas Municipal League (the League) is a voluntary group of Arkansas cities and towns, founded in 1934. The League provides a variety of services and benefits to its members, including legislative advocacy, risk management and benefit programs, training and educational opportunities and informational publications. The Firefighters Supplemental Income Protection Plan (the Plan) was established by the League to provide supplemental income to volunteer and part-paid firefighters within the state of Arkansas who are injured or disabled while working. The number of firefighters covered under the Plan totaled 3,612 and 3,944 during the years ended December 31, 2023 and 2022, respectively.

Each participating municipality must cover their volunteer and part-paid firefighters under the Municipal League Workers' Compensation Program (the Program) to be eligible to participate in the Plan. Only municipal fire departments are eligible to participate in the Plan. Coverage under the Plan includes weekly temporary total disability benefits, based on two-thirds of the injured firefighter's salary at the time of injury up to the maximum under Arkansas Workers' Compensation Law, for up to 52 weeks. In addition, the Plan provides a \$10,000 death benefit payable to an eligible dependent if death occurs as a result of a compensable Workers' Compensation claim. This death benefit is in addition to funeral expenses covered under Arkansas Workers' Compensation Law.

The Executive Director of the League is designated as the Plan Administrator, and the League provides all facilities, personnel and services necessary for the administration of the Plan. Employees of the League dedicated to administration of the Program manage the day to day operations of the Plan; however, these financial statements do not reflect any disbursements related to the compensation of those individuals, as such amounts cannot be readily determined and would not be material. The operations of the Plan are subject to oversight provided by the Program Board of Trustees. The assets of the Plan are segregated from the League's assets and the assets of other benefit programs managed by the League, and neither the League nor the Program are responsible for any obligations incurred by the Plan.

These financial statements present only balances and transactions that are directly attributable to the Plan and are not intended to present and do not present the financial position, results of operations or cash flows of the League or any other benefit program managed by the League.

### **Measurement Focus and Basis of Accounting**

The Plan 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

# Arkansas Municipal League Firefighters Supplemental Income Protection Plan

Notes to the Financial Statements  
December 31, 2023 and 2022

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus and Basis of Accounting (Continued)**

explained in the paragraph that follows, certain modifications to the economic resources measurement focus result from the basis of accounting utilized by the Plan.

Transactions of the Plan 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 generally recognized when cash is received or paid. Therefore, these financial statements do not report amounts receivable for annual fees due from participating municipalities or investment income earned but not received. In addition, these financial statements do not report liabilities or expenditures for goods or services received or for claims incurred before year end for which payment has not yet been made. Investments are reported at cost, rather than fair value. Generally, non-cash transactions are not reported by the Plan.

### **Basis of Presentation**

Net position is categorized into amounts restricted and unrestricted, as applicable. As of December 31, 2023 and 2022, there were no restrictions on the net position of the Plan.

Operating revenues and expenditures are distinguished from nonoperating revenues and expenditures for purposes of presentation on the statements of revenues, expenditures and changes in net position – modified cash basis. Operating revenues consist of annual fees collected from members, and operating expenditures include costs related to payment of claims and administrative expenditures. Nonoperating revenues and expenditures consist of those revenues and expenditures that are related to investing activities.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of a demand deposit account maintained with a financial institution and equity in two pooled cash management accounts, which are interest-bearing deposit accounts maintained with financial institutions by the League for the benefit of certain funds and benefit programs managed by the League.

### **Investments**

To maximize investment opportunities and returns, the League pools the resources of certain funds and benefit programs under its management in several internal investment pools, each of which has a different asset mix and investment strategy. An internal investment pool is an arrangement that comingles the moneys of more than one fund within one legal entity. The underlying investments that comprise the internal investment pools may include marketable equity securities, obligations of the U.S. government, obligations of U.S. government agencies and government-sponsored entities, mutual funds, exchange traded funds, alternative investments and investments in certain other debt securities, as approved by the Executive Committee of the League.

# Arkansas Municipal League Firefighters Supplemental Income Protection Plan

Notes to the Financial Statements  
December 31, 2023 and 2022

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

Investments of the Plan consist of ownership interests in these internal investment pools managed by the League. While the Plan owns a participating interest in the pools, it does not own the underlying securities. Amounts invested by the Plan in the internal investment pools are generally reported at cost on the statements of assets, liabilities and net position – modified cash basis. Net investment income (or loss) earned by the pools and certain investment fees are allocated to the Plan and other pool participants on a pro-rata basis and are recorded as increases (or decreases) in the cost of the investment.

**Annual Fees**

Participating cities and towns pay annual fees of \$20 per firefighter, with a minimum annual fee of \$240 for those cities and towns with all-volunteer departments. Annual fees received in advance of the coverage period to which they apply are reported as unearned annual fees on the statements of assets, liabilities and net position – modified cash basis.

**Claims**

Claims are reported as expenditures when paid.

**Tax Status**

The Plan is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Estimates**

The preparation of financial statements in conformity 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 2: DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents**

At December 31, cash and cash equivalents include the following:

	2023	2022
Demand deposit account	\$ 499,669	\$ 423,945
Equity in pooled cash management accounts	936,356	805,309
	\$ 1,436,025	\$ 1,229,254



# Arkansas Municipal League

## Firefighters Supplemental Income Protection Plan

Notes to the Financial Statements  
December 31, 2023 and 2022

### **NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

#### **Cash and Cash Equivalents**

The Plan's demand deposit account, the pooled cash management accounts and the demand deposit accounts of other funds and benefit programs managed by the League that are maintained at the same financial institution are insured by the Federal Deposit Insurance Corporation (FDIC), and any balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institution and held in the name of the League or irrevocable standby letters of credit issued by the Federal Home Loan Bank in favor of the League. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the League and may not be released without the consent of the League.

#### **Investments**

The Executive Committee of the League has created and appointed members of an investment subcommittee to establish investment guidelines, review and evaluate investment results, and make recommendations on investment matters pertaining to investing activities of the League and certain funds and benefit programs under management of the League. The Investment Policy Statement (the Policy), adopted by the League at the recommendation of the investment subcommittee, as amended, sets forth basic investment objectives and philosophies. The requirements of the Policy are applied to the investment portfolio managed by the League for all funds and benefit programs managed by the League.

The Policy specifies that the primary investment objective is to earn the highest possible return consistent with prudent levels of risk. In general, the Policy sets forth limitations and guidelines on industry concentrations and investment ratings. With respect to equity securities, no single equity security may exceed 10% of the aggregate fair value of all securities in the account in which that equity security is held. In addition, concentrations in any one economic sector are limited to 30% of the aggregate fair value of all securities in that account. With respect to debt securities, a minimum credit rating of A3/A- is generally required, with certain exceptions. With the exception of securities that are direct or guaranteed obligations of the U.S. government, concentrations with respect to any one issuer may not exceed 5% of the aggregate fair value of all securities in the account in which that debt security is held. Alternative investments are limited to 15% of the fair value of all the League's investments.

The table that follows provides detailed information about the internal investment pools in which the Plan's assets are invested as of December 31, 2023 and 2022, including estimated fair values. Fair values of the underlying securities that comprise the pools are generally determined by independent pricing sources. The fair values of debt securities are estimated using pricing models that consider various assumptions about interest rates, timing of cash flows and other market-related factors. The fair values of equity securities are based on unadjusted quoted prices for those securities in the active markets on which they are traded. The fair values of alternative investments are estimated based on the capital investment made by the League into those funds, adjusted for gains and losses and other highly subjective factors.

# Arkansas Municipal League Firefighters Supplemental Income Protection Plan

## Notes to the Financial Statements December 31, 2023 and 2022

### **NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

#### **Investments (Continued)**

At December 31, the Plan's ownership interest in each pool is as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Equity Securities</b>				
Russell 3000 Account	\$ 272,656	\$ 1,132,854	\$ 272,656	\$ 898,739
Large Cap Growth Account	263,406	383,961	262,595	334,305
Wellington Management Accounts:				
Large Growth	160,308	241,254	162,097	172,475
International Quality Growth	105,939	130,297	104,053	114,971
Enduring Assets	-	-	174,891	187,384
Stephens Opportunistic Account	-	-	10,119	9,295
<b>Debt Securities</b>				
Arkansas Bond Account	72,960	71,490	70,538	67,618
Stephens Opportunistic Account	-	-	89,737	82,422
<b>Money Market Mutual Funds</b>				
Stephens Opportunistic Account	98,378	98,378	-	-
<b>Alternative Investments</b>				
CapRocq Core Real Estate Fund L.P.	23,920	23,920	31,110	31,110
KKR Lending Partners, L.P.	8,051	8,051	7,598	7,598
Owl Rock Capital Corporation	199,026	193,575	199,026	151,476
	<u>\$ 1,204,644</u>	<u>\$ 2,283,780</u>	<u>\$ 1,384,420</u>	<u>\$ 2,057,393</u>

More detailed information about the internal investment pools, investment policies and required custodial and credit risk disclosures is included in the League's audited financial statements and related footnotes, which can be obtained by contacting the Arkansas Municipal League, 301 West 2<sup>nd</sup> Street, North Little Rock, Arkansas 72114.

### **NOTE 3: TRANSACTIONS WITH THE LEAGUE**

The League maintains a supplemental aggregate reserve (the Reserve Fund) to cover significant, extraordinary claims and other operational costs of the Plan and other benefit programs managed by the League. Each benefit program covered by the Reserve Fund is assessed an annual reserve fee. The reserve fee attributable to the Plan for 2023 and 2022 was 10% of annual premiums collected in the previous year, payable in March.

**Arkansas Municipal League  
Firefighters Supplemental Income Protection Plan**

**Notes to the Financial Statements  
December 31, 2023 and 2022**

***NOTE 3: TRANSACTIONS WITH THE LEAGUE (Continued)***

The League charges a service fee to recover costs incurred in the administration of the Plan and other funds and benefit programs managed by the League. The service fee for 2023 and 2022 was 3% of the fair value of the Plan's total assets on February 28, payable in March.

***NOTE 4: COMMITMENTS AND CONTINGENCIES***

Management of the League does not estimate the Plan's obligation for claims incurred and reported before year end that were paid after year end (claims payable) or claims incurred before year end but not reported until after year end (IBNR), and this obligation may be significant to the Plan's financial statements.