Arkansas Municipal League

General Operating Fund
Capital Reserve Fund
Reserve Fund

Financial Statements
December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

Arkansas Municipal League
General Operating Fund
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Reserve Fund

TABLE OF CONTENTS

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025 and 2024, 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, 2025 and 2024, 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

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Auditor's Responsibilities for the Audits of the Financial Statements *(Continued)*

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 these audits in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 League's ability 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 audits, significant audit findings and certain internal control-related matters that we identified during the audits.

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 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 under its administration. Because of this omission of the benefit programs, the accompanying financial statements do not purport to, and do not, present fairly the modified cash basis financial position of the complete reporting entity of the League as of December 31, 2025 and 2024, or the 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 on the **General Operating Fund**, the **Capital Reserve Fund** and the **Reserve Fund** are not modified with respect to this matter.

Landmark PLC

Little Rock, Arkansas
May 18, 2026

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, 2025 and 2024

	2025				2024			
	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total
ASSETS								
Current Assets								
Cash and cash equivalents	$ 2,866,259	$ 3,943,672	$ 1,219,390	$ 8,029,321	$ 2,530,050	$ 3,844,096	$ 393,397	$ 6,767,543
Investments	-	7,230,076	55,206,777	62,436,853	-	5,745,930	53,739,260	59,485,190
Total Current Assets	2,866,259	11,173,748	56,426,167	70,466,174	2,530,050	9,590,026	54,132,657	66,252,733
Property and Equipment, Net	11,217,482	-	-	11,217,482	10,934,730	-	-	10,934,730
TOTAL ASSETS	$ 14,083,741	$ 11,173,748	$ 56,426,167	$ 81,683,656	$ 13,464,780	$ 9,590,026	$ 54,132,657	$ 77,187,463
LIABILITIES AND NET POSITION								
Current Liabilities								
Unearned annual fees and dues	$ 333,110	$ -	$ -	$ 333,110	$ 317,090	$ -	$ -	$ 317,090
Total Liabilities	333,110	-	-	333,110	317,090	-	-	317,090
Net Position								
Net investment in capital assets	11,217,482	-	-	11,217,482	10,934,730	-	-	10,934,730
Unrestricted	2,533,149	11,173,748	56,426,167	70,133,064	2,212,960	9,590,026	54,132,657	65,935,643
Total Net Position	13,750,631	11,173,748	56,426,167	81,350,546	13,147,690	9,590,026	54,132,657	76,870,373
TOTAL LIABILITIES AND NET POSITION	$ 14,083,741	$ 11,173,748	$ 56,426,167	$ 81,683,656	$ 13,464,780	$ 9,590,026	$ 54,132,657	$ 77,187,463

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, 2025 and 2024

	2025				2024			
	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total
OPERATING REVENUES								
Service and reserve fees	$ 7,954,506	$ -	$ 5,296,879	$ 13,251,385	$ 7,467,197	$ -	$ 4,641,938	$ 12,109,135
Conventions and conferences	1,032,470	-	-	1,032,470	858,226	-	-	858,226
Dues	242,381	-	-	242,381	247,365	-	-	247,365
Publications	23,200	-	-	23,200	25,003	-	-	25,003
Accidental death and dismemberment annual fees	255,900	-	-	255,900	254,880	-	-	254,880
Other	123,293	-	-	123,293	87,393	-	-	87,393
Total Operating Revenues	9,631,750	-	5,296,879	14,928,629	8,940,064	-	4,641,938	13,582,002
OPERATING EXPENDITURES								
Salaries and employee benefits, net	5,858,298	-	-	5,858,298	5,239,788	-	-	5,239,788
Conventions and conferences	1,024,177	-	-	1,024,177	1,045,973	-	-	1,045,973
Service fees	-	523,346	2,726,130	3,249,476	-	478,649	2,588,042	3,066,691
Publications	236,351	-	-	236,351	113,206	-	-	113,206
Accidental death and dismemberment premiums	115,380	-	-	115,380	114,480	-	-	114,480
Occupancy	494,931	-	-	494,931	528,097	-	-	528,097
Equipment repairs and maintenance	62,125	10,117	-	72,242	59,577	33,457	-	93,034
Supplies	56,076	114,508	-	170,584	167,751	409,377	-	577,128
Postage	90,807	-	-	90,807	86,196	-	-	86,196
Dues	194,571	-	-	194,571	189,509	-	-	189,509
Depreciation and amortization	1,374,339	-	-	1,374,339	1,178,236	-	-	1,178,236
Professional services	430,579	-	990,784	1,421,363	353,997	-	-	353,997
Travel	220,769	-	-	220,769	184,417	-	-	184,417
Other	154,619	22,366	-	176,985	78,068	42,951	-	121,019
Total Operating Expenditures	10,313,022	670,337	3,716,914	14,700,273	9,339,295	964,434	2,588,042	12,891,771
Operating (Loss) Income before Subsidies and Transfers	(681,272)	(670,337)	1,579,965	228,356	(399,231)	(964,434)	2,053,896	690,231

(Continued)

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, 2025 and 2024

	2025 General Operating Fund	2025 Capital Reserve Fund	2025 Reserve Fund	2025 Total	2024 General Operating Fund	2024 Capital Reserve Fund	2024 Reserve Fund	2024 Total
SUBSIDIES AND TRANSFERS								
Operating subsidies - program costs	$ -	$ -	$ (1,314,488)	$ (1,314,488)	$ -	$ -	$ (4,397,471)	$ (4,397,471)
Operating subsidies - personnel costs	1,779,660	-	(2,369,236)	(589,576)	1,389,742	-	(1,930,586)	(540,844)
Operating subsidies - excess claims	-	-	(6,499,727)	(6,499,727)	-	-	-	-
Interfund transfer - excess funds	(2,212,961)	2,212,961	-	-	(2,064,956)	2,064,956	-	-
Interfund transfer - property and equipment purchases	1,632,444	(1,632,444)	-	-	1,172,606	(1,172,606)	-	-
Total Subsidies and Transfers, Net	1,199,143	580,517	(10,183,451)	(8,403,791)	497,392	892,350	(6,328,057)	(4,938,315)
Net Operating Income (Loss)	517,871	(89,820)	(8,603,486)	(8,175,435)	98,161	(72,084)	(4,274,161)	(4,248,084)
NONOPERATING REVENUES (EXPENDITURES), NET								
Investment income, net	112,747	1,704,890	11,701,901	13,519,538	118,538	576,812	5,969,614	6,664,964
Investment fees and bank changes	(27,677)	(31,348)	(804,905)	(863,930)	(26,444)	(31,146)	(762,185)	(819,775)
Total Nonoperating Revenues Net	85,070	1,673,542	10,896,996	12,655,608	92,094	545,666	5,207,429	5,845,189
INCREASE IN NET POSITION	602,941	1,583,722	2,293,510	4,480,173	190,255	473,582	933,268	1,597,105
NET POSITION, BEGINNING OF YEAR	13,147,690	9,590,026	54,132,657	76,870,373	12,957,435	9,116,444	53,199,389	75,273,268
NET POSITION, END OF YEAR	$ 13,750,631	$ 11,173,748	$ 56,426,167	$ 81,350,546	$ 13,147,690	$ 9,590,026	$ 54,132,657	$ 76,870,373

See accompanying notes to financial statements.

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, 2025 and 2024, the number of cities and towns participating in the program totaled 500 and 499, 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, 2025 and 2024 (amounts in millions):

	2025	2024
Total assets	$ 120.9	$ 124.9
Total liabilities	$ 38.7	$ 38.9
Total net position	$ 82.2	$ 86.0
Total revenues [1]	$ 173.7	$ 156.4
Total expenditures [1]	$ 177.5	$ 148.3

[1] Includes transfers and subsidies

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 2nd Street, North Little Rock, Arkansas 72114.

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. 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 and Benefit Programs, 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 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.

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

Measurement Focus and Basis of Accounting *(Continued)*

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, 2025 and 2024, there were no restrictions on the net position of the League Funds.

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.

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 programs managed by the League.

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

Investments

To maximize investment opportunities and returns, the League pools the resources of certain 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 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 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.

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.

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

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.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

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

	2025			
	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total
Demand deposit accounts	$ 1,018,265	$ 94,229	$ -	$ 1,112,494
Equity in pooled cash management accounts	1,808,961	3,849,443	1,219,390	6,877,794
Undeposited receipts	39,033	-	-	39,033
	$ 2,866,259	$ 3,943,672	$ 1,219,390	$ 8,029,321

	2024			
	General Operating Fund	Capital Reserve Fund	Reserve Fund	Total
Demand deposit accounts	$ 1,546,316	$ 237,657	$ -	$ 1,783,973
Equity in pooled cash management accounts	950,593	3,606,439	393,397	4,950,429
Undeposited receipts	33,141	-	-	33,141
	$ 2,530,050	$ 3,844,096	$ 393,397	$ 6,767,543

The League maintains demand deposit accounts and pooled cash management accounts at several financial institutions for use by the League Funds and Benefit Programs. 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 regarding the investment portfolio managed by the League for the League Funds and 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.

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. Below investment grade or non-rated securities are permissible only for short-term trading purposes. 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, 2025 and 2024, 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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investment Detail

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

	Capital Reserve Fund			
	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Internal Investment Pools				
Equity Securities:				
Russell 3000 Account	$ 878,790	$ 5,291,856	$ 1,049,168	$ 5,393,779
Large Cap Growth Account	1,250,817	1,931,758	1,131,224	1,661,626
Wellington Management Accounts:				
Large Growth	880,588	1,355,613	767,802	1,275,236
International Quality Growth	782,182	859,551	489,549	656,330
Debt Securities:				
Passive Bond Market Account	531,499	669,867	531,499	626,577
Arkansas Bond Account	333,171	338,094	339,270	332,998
Stephens Opportunistic Account	684,125	689,048	78,356	79,141
Money Market Mutual Funds:				
Arkansas Bond Account	19,462	19,462	-	-
Stephens Opportunistic Account	1,667,580	1,667,580	1,129,204	1,129,204
Alternative Investments:				
KKR Lending Partners, L.P.	6,261	6,261	10,149	10,149
Owl Rock Capital Corporation	195,601	159,612	219,709	218,904
	$ 7,230,076	$ 12,988,702	$ 5,745,930	$ 11,383,944

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investment Detail *(Continued)*

	Reserve Fund			
	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Internal Investment Pools				
Equity Securities:				
Russell 3000 Account	$ 3,639,796	$ 21,917,943	$ 4,345,470	$ 22,340,095
Large Cap Growth Account	6,416,297	9,909,315	5,802,823	8,523,620
Wellington Management Accounts:				
Large Growth	8,594,313	13,230,433	7,493,554	12,445,973
International Quality Growth	7,633,894	8,388,994	4,777,874	6,405,614
Debt Securities:				
Passive Bond Market Account	7,352,666	9,266,821	7,352,666	8,667,967
Arkansas Bond Account	3,250,265	3,299,707	3,309,795	3,249,979
Stephens Opportunistic Account	1,324	1,333	286,697	289,570
Money Market Mutual Funds:				
Arkansas Bond Account	189,949	189,949	-	-
Stephens Opportunistic Account	3,226	3,226	4,131,680	4,131,680
Alternative Investments:				
KKR Lending Partners, L.P.	31,912	31,912	51,731	51,731
Owl Rock Capital Corporation	997,050	813,599	1,119,938	1,115,832
Small Cap Equity Account				
Equity securities	14,284,726	19,853,203	13,208,404	17,756,410
Foreign equity securities	2,123,682	2,233,455	1,107,252	1,752,436
Cash	-	-	608	608
Money market mutual fund	687,677	687,677	750,768	750,768
	$ 55,206,777	$ 89,827,567	$ 53,739,260	$ 87,482,283

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® Index.

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Common trust fund units	$ 7,212,172	$ 43,429,904	$ 8,610,449	$ 44,266,388

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 878,790	$ 5,291,856	$ 1,049,168	$ 5,393,779
Reserve Fund	3,639,796	21,917,943	4,345,470	22,340,095
Vehicle Program	1,021,488	6,151,145	1,219,531	6,269,620
Property Program	437,946	2,637,203	522,854	2,687,997
Legal Defense Program	865,508	5,211,874	1,033,310	5,312,258
Life Benefit Account	140,266	844,645	167,460	860,913
Firefighters Plan	228,378	1,375,238	272,656	1,401,726
	$ 7,212,172	$ 43,429,904	$ 8,610,449	$ 44,266,388

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 the 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.

NOTE 3: INTERNAL INVESTMENT POOLS (Continued)

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Domestic equity securities	$ 11,631,277	$ 18,704,023	$ 10,623,141	$ 15,975,896
Foreign equity securities	625,313	782,044	625,313	903,774
Cash	-	-	3,470	3,470
Money market mutual fund	1,023,178	1,023,178	758,141	758,141
	$ 13,279,768	$ 20,509,245	$ 12,010,065	$ 17,641,281

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 1,250,817	$ 1,931,758	$ 1,131,224	$ 1,661,626
Reserve Fund	6,416,297	9,909,315	5,802,823	8,523,620
Vehicle Program	2,871,854	4,435,288	2,597,272	3,815,067
Property Program	670,540	1,035,580	606,428	890,767
Legal Defense Program	1,477,052	2,281,156	1,335,829	1,962,165
Life Benefit Account	277,354	428,344	250,835	368,446
Firefighters Plan	315,854	487,804	285,654	419,590
	$ 13,279,768	$ 20,509,245	$ 12,010,065	$ 17,641,281

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.

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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Domestic equity securities	$ 16,041,276	$ 24,919,353	$ 14,381,595	$ 24,083,223
Foreign equity securities	845,859	1,222,359	442,659	627,002
Cash	2,779	2,779	1,599	1,599
Money market mutual fund	265,970	265,970	132,707	132,707
	$ 17,155,884	$ 26,410,461	$ 14,958,560	$ 24,844,531

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 880,588	$ 1,355,613	$ 767,802	$ 1,275,236
Reserve Fund	8,594,313	13,230,433	7,493,554	12,445,973
Vehicle Program	4,922,916	7,578,536	4,292,390	7,129,190
Property Program	582,244	896,329	507,670	843,184
Legal Defense Program	1,617,254	2,489,666	1,410,116	2,342,049
Life Benefit Account	364,689	561,417	317,980	528,129
Firefighters Plan	193,880	298,467	169,048	280,770
	$ 17,155,884	$ 26,410,461	$ 14,958,560	$ 24,844,531

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 ACWI ex USA 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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Common trust fund units	$ 15,238,706	$ 16,746,029	$ 9,537,545	$ 12,786,825

NOTE 3: INTERNAL INVESTMENT POOLS (Continued)

Wellington International Quality Growth Account *(Continued)*

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 782,182	$ 859,551	$ 489,549	$ 656,330
Reserve Fund	7,633,894	8,388,994	4,777,874	6,405,614
Vehicle Program	4,372,779	4,805,308	2,736,818	3,669,206
Property Program	517,177	568,334	323,689	433,965
Legal Defense Program	1,436,525	1,578,618	899,088	1,205,391
Life Benefit Account	323,935	355,976	202,743	271,814
Firefighters Plan	172,214	189,248	107,784	144,505
	$ 15,238,706	$ 16,746,029	$ 9,537,545	$ 12,786,825

Stephens Opportunistic Fund Account

The objective of the Stephens Opportunistic Fund Account is to find investment opportunities in sectors and asset classes that offer potential higher rates of return in the near term. While holdings at December 31, 2025 and 2024 include U.S. Treasury securities and a money market mutual fund, different investment types may be used in this account in the future. The money market mutual fund is an open-ended mutual fund that invests primarily in U.S. government debt securities and has a Standard and 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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Debt securities	$ 1,981,446	$ 1,995,705	$ 498,886	$ 503,885
Money market mutual fund	4,829,853	4,829,853	7,189,608	7,189,608
	$ 6,811,299	$ 6,825,558	$ 7,688,494	$ 7,693,493

NOTE 3: INTERNAL INVESTMENT POOLS (Continued)

Stephens Opportunistic Fund Account *(Continued)*

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 2,351,705	$ 2,356,628	$ 1,207,560	$ 1,208,345
Reserve Fund	4,550	4,559	4,418,377	4,421,250
Vehicle Program	1,429,585	1,432,578	672,502	672,939
Property Program	-	-	69,080	69,125
Legal Defense Program	2,403,742	2,408,774	1,186,926	1,187,698
Life Benefit Account	246,782	247,299	43,269	43,297
Firefighters Plan	374,935	375,720	90,780	90,839
	$ 6,811,299	$ 6,825,558	$ 7,688,494	$ 7,693,493

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 Intermediate U.S. 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, 2025 is 4.25 years, compared to 4.24 years at December 31, 2024.

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Common trust fund units	$ 14,221,822	$ 17,924,257	$ 14,221,822	$ 16,765,930

NOTE 3: INTERNAL INVESTMENT POOLS (Continued)

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 531,499	$ 669,867	$ 531,499	$ 626,577
Reserve Fund	7,352,666	9,266,821	7,352,666	8,667,967
Vehicle Program	3,000,000	3,781,004	3,000,000	3,536,663
Property Program	265,749	334,933	265,749	313,289
Legal Defense Program	1,617,500	2,038,591	1,617,500	1,906,850
Life Benefit Account	1,454,408	1,833,041	1,454,408	1,714,584
	$ 14,221,822	$ 17,924,257	$ 14,221,822	$ 16,765,930

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 AAA/Aaa.

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Corporate debt securities	$ 216,300	$ 213,008	$ 590,074	$ 577,090
Municipal debt securities	6,597,501	6,702,482	6,293,100	6,178,792
Money market mutual fund	398,093	398,093	55,388	55,388
	$ 7,211,894	$ 7,313,583	$ 6,938,562	$ 6,811,270

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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 352,633	$ 357,556	$ 339,270	$ 332,998
Reserve Fund	3,440,214	3,489,656	3,309,795	3,249,979
Vehicle Program	2,260,419	2,291,661	2,174,772	2,134,264
Property Program	233,197	236,416	224,361	220,178
Legal Defense Program	647,726	656,674	623,184	611,572
Life Benefit Account	200,075	202,897	192,492	188,962
Firefighters Plan	77,630	78,723	74,688	73,317
	$ 7,211,894	$ 7,313,583	$ 6,938,562	$ 6,811,270

Alternative Investments

The Policy authorizes the use of alternative investment strategies to enhance income and further diversify the investment portfolio managed by the League. Alternative investments held at December 31, 2025 and 2024 include a limited partnership that provides direct lending to middle-market companies that do not have ready access to traditional financing 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.

The cost and fair values of the alternative investments are as follows at December 31:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
KKR Lending Partners, L.P.	$ 84,135	$ 84,135	$ 136,392	$ 136,392
Owl Rock Capital Corporation	2,628,877	2,145,182	2,952,891	2,942,065
	$ 2,713,012	$ 2,229,317	$ 3,089,283	$ 3,078,457

NOTE 3: INTERNAL INVESTMENT POOLS (Continued)

Alternative Investments *(Continued)*

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Capital Reserve Fund	$ 201,862	$ 165,873	$ 229,858	$ 229,053
Reserve Fund	1,028,962	845,511	1,171,669	1,167,563
Vehicle Program	919,853	755,855	1,047,429	1,043,758
Property Program	379,479	311,823	432,109	430,595
Firefighters Plan	182,856	150,255	208,218	207,488
	$ 2,713,012	$ 2,229,317	$ 3,089,283	$ 3,078,457

NOTE 4: PROPERTY AND EQUIPMENT, NET

A summary of property and equipment balances and changes therein for each of the years ended December 31, 2025 and 2024, are as follows:

	2024	Additions	Disposals	Transfers	2025
Building	$ 11,395,661	$ 492,882	$ -	$ -	$ 11,888,543
Vehicles	573,812	112,510	(98,403)	-	587,919
Furniture, fixtures and equipment	1,627,213	6,479	(108,959)	-	1,524,733
Computer software and equipment	5,690,390	1,045,566	(202,719)	-	6,533,237
Less accumulated depreciation and amortization	(10,707,136)	(1,374,339)	409,735	-	(11,671,740)
	8,579,940	283,098	(346)	-	8,862,692
Land	2,354,790	-	-	-	2,354,790
	$ 10,934,730	$ 283,098	$ (346)	$ -	$ 11,217,482

(Continued)

NOTE 4: PROPERTY AND EQUIPMENT, NET (Continued)

	2023	Additions	Disposals	Transfers	2024
Building	$ 11,384,117	$ 11,544	$ -	$ -	$ 11,395,661
Vehicles	448,514	327,340	(202,042)	-	573,812
Furniture, fixtures and equipment	1,776,118	36,028	(184,933)	-	1,627,213
Computer software and equipment	5,110,891	261,508	(346,051)	664,042	5,690,390
Less accumulated depreciation and amortization	(10,210,909)	(1,178,236)	682,009	-	(10,707,136)
	8,508,731	(541,816)	(51,017)	664,042	8,579,940
Municipal Property Program software implementation	9,480	317,541	-	(327,021)	-
Municipal Vehicle Program software implementation	9,480	317,541	-	(327,021)	-
Website upgrade	10,000	-	-	(10,000)	-
Land	2,354,790	-	-	-	2,354,790
	$ 10,892,481	$ 93,265	$ (51,017)	$ -	$ 10,934,730

NOTE 5: SERVICE AND RESERVE FEE REVENUES

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

	Service Fees		Reserve Fees	
	2025	2024	2025	2024
Capital Reserve Fund	$ 523,346	$ 478,649	$ -	$ -
Reserve Fund	2,726,130	2,588,042	-	-
Vehicle Program	974,069	978,409	1,359,866	1,137,076
Property Program	479,496	413,168	1,535,229	1,160,289
Legal Defense Program	631,075	589,798	478,594	454,194
Life Benefit Account	129,477	121,880	18,767	9,222
Workers' Compensation Program	1,882,710	1,756,761	1,500,227	1,480,257
Firefighters Plan	126,338	116,789	6,916	7,360
Health Benefit Program	481,865	423,701	397,280	393,540
	$ 7,954,506	$ 7,467,197	$ 5,296,879	$ 4,641,938

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, 2025 and 2024, 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:

	2025	2024
Vehicle Program	$ 434,951	$ 398,203
Legal Defense Program	2,616,597	2,622,090
Workers' Compensation Program	1,371,653	1,242,495
Health Benefit Program	2,439,170	2,158,498
	$ 6,862,371	$ 6,421,286

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, 2025 and 2024:

	2025	2024
Vehicle Program	$ 115,454	$ 107,820
Legal Defense Program	190,130	179,946
Workers' Compensation Program	128,008	109,190
Health Benefit Fund	155,984	143,888
	$ 589,576	$ 540,844

During the years ended December 31, 2025 and 2024, 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:

	2025	2024
Property Program	$ 1,314,487	$ 4,066,630
Legal Defense Program	-	200,000
Workers' Compensation Program	15,126	130,841
Health Benefit Program	6,484,602	-
	$ 7,814,215	$ 4,397,471

NOTE 6: OTHER RELATED PARTY TRANSACTIONS (Continued)

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, 2025 and 2024, $1,879,943 and $1,484,907, respectively, were transferred to the General Operating Fund from the Reserve Fund to cover a portion of these personnel costs.

NOTE 7: PENSIONS

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.

<u>Contributions</u>
Plan participants hired after July 1, 2005, are required to contribute 6.00% (5.75% prior to July 1, 2025, and 5.50% prior to July 1, 2024) 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, 2024 through December 31, 2025. Contribution requirements are set forth in state statute.

NOTE 7: PENSIONS (Continued)

Contributions *(Continued)*
The League's contributions for the Plan years ended June 30, 2025 and 2024, for all covered employees totaled $1,355,347 and $1,233,372, 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, 2025 and 2024, was $634,573 and $567,474, respectively.

Net Pension Liability
APERS 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 $7,756,309 and $8,817,713 at June 30, 2025 and 2024, respectively. Management estimates that the portion of the liability attributable to employees directly involved in management and operation of the League Funds was $3,631,504 and $4,057,030, at June 30, 2025 and 2024, respectively.

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:

	2025	2024
Vehicle Program	$ 6,802	$ 5,456
Property Program	46,738	39,200
Workers' Compensation Program	12,761	12,192
Health Benefit Fund	1,373,726	1,111,841
	$ 1,440,027	$ 1,168,689

Arkansas Municipal League
Municipal Legal Defense Program

Financial Statements
December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

Arkansas Municipal League
Municipal Legal Defense Program

TABLE OF CONTENTS

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Municipal Legal Defense 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 Legal Defense Program (the Program)**, which consist of the statements of assets, liabilities and net position – modified cash basis as of December 31, 2025 and 2024, 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, 2025 and 2024, 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 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.

Landmark PLC, Certified Public Accountants
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Members of the Board of Trustees
Municipal Legal Defense 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 League's ability to continue to operate the Program 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 on the financial statements of the **Municipal Legal Defense Program** is not modified with respect to this matter.

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.

Landmark PLC

Little Rock, Arkansas
July 14, 2026

Arkansas Municipal League
Municipal Legal Defense Program

Statements of Assets, Liabilities and Net Position—Modified Cash Basis
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,066,603	$ 4,208,018
Investments	10,065,307	8,105,952
TOTAL ASSETS	$ 14,131,910	$ 12,313,970
LIABILITIES AND NET POSITION		
Current Liabilities		
Unearned annual fees	$ 1,577,429	$ 1,301,134
Net Position	12,554,481	11,012,836
TOTAL LIABILITIES AND NET POSITION	$ 14,131,910	$ 12,313,970

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, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Annual fees	$ 4,804,778	$ 4,704,199
Advance deposits	293,000	228,000
Total Operating Revenues	5,097,778	4,932,199
OPERATING EXPENDITURES		
Judgments and settlements, net	704,368	1,819,418
Service fee	631,075	589,798
Reserve fee	478,594	454,194
Personnel costs	2,806,727	2,802,036
Legal fees and court costs	975,036	903,313
Drug and alcohol program charges	112,121	101,644
Other	519,011	418,168
Total Operating Expenditures	6,226,932	7,088,571
Operating Loss before Subsidies	(1,129,154)	(2,156,372)
SUBSIDIES		
Operating subsidy - excess claims	-	200,000
Operating subsidy - personnel costs	190,130	179,946
Total Subsidies	190,130	379,946
Net Operating Loss	(939,024)	(1,776,426)
NONOPERATING REVENUES (EXPENDITURES), NET		
Investment income	2,175,410	808,133
Other income	349,050	808,895
Investment fees	(43,791)	(45,002)
Total Nonoperating Revenues, Net	2,480,669	1,572,026
INCREASE (DECREASE) IN NET POSITION	1,541,645	(204,400)
NET POSITION, BEGINNING OF YEAR	11,012,836	11,217,236
NET POSITION, END OF YEAR	$ 12,554,481	$ 11,012,836

See accompanying notes to financial statements.

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. 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, 2025 and 2024, respectively, 469 and 468 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 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 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 program managed by the League.

NOTE 1: NATURE OF OPERATIONS AND 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, 2025 and 2024, 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.

NOTE 1: NATURE OF OPERATIONS AND 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 programs managed by the League.

Investments
To maximize investment opportunities and returns, the League pools the resources of certain 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.

NOTE 1: NATURE OF OPERATIONS AND 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 2025 and 2024 judgments and settlements totaled $120,837 and $206,407, 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, 2025 and 2024, 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:

	2025	2024
Interest-bearing deposit account	$ 633,371	$ 123,859
Equity in pooled cash management accounts	3,433,232	4,084,159
	$ 4,066,603	$ 4,208,018

The Program's interest-bearing deposit account, the pooled cash management accounts and the interest-bearing deposit accounts of other 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.

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 regarding the investment portfolio managed by the League for the League Funds and 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 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. Below investment grade or non-rated securities are permissible only for short-term trading purposes. 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, 2025 and 2024, 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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments *(Continued)*

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

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Equity Securities				
Russell 3000 Account	$ 865,508	$ 5,211,874	$ 1,033,310	$ 5,312,258
Large Cap Growth Account	1,477,052	2,281,156	1,335,829	1,962,165
Wellington Management Accounts:				
Large Growth	1,617,254	2,489,666	1,410,116	2,342,049
International Quality Growth	1,436,525	1,578,618	899,087	1,205,391
Debt Securities				
Passive Bond Market Account	1,617,500	2,038,591	1,617,500	1,906,850
Arkansas Bond Account	611,982	620,930	623,184	611,572
Stephens Opportunistic Account	699,262	704,294	77,017	77,788
Money Market Mutual Funds				
Arkansas Bond Account	35,744	35,744	-	-
Stephens Opportunistic Account	1,704,480	1,704,480	1,109,909	1,109,909
	$ 10,065,307	$ 16,665,353	$ 8,105,952	$ 14,527,982

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 2nd 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 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, 2025 and 2024, 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 programs managed by the League. The service fee for the years ended December 31, 2025 and 2024, was 3% of the fair value of the Program's total assets on February 28, payable in March.

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 $2,616,597 and $2,622,090 during the years ended December 31, 2025 and 2024, 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 $190,130 and $179,946 during the years ended December 31, 2025 and 2024, 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 $800,000. During the year ended December 31, 2025, there were no settlements eligible for reimbursement. During the year ended December 31, 2024, the Program received $200,000 from the Reserve Fund for individual settlements in excess of $800,000.

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.

NOTE 4: PENSIONS

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.

NOTE 4: PENSIONS (Continued)

Plan Description *(Continued)*
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 6.00% (5.75% prior to July 1, 2025 and 5.50% prior to July 1, 2024) 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, 2024 through December 31, 2025. 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, 2025 and 2024 totaled $293,568 and $276,152, 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 $7,756,309 and $8,817,713 at June 30, 2025 and 2024, respectively. Management estimates that the portion of this liability attributable to employees directly involved in management and operation of the Program was $1,680,017 and $1,974,286 at June 30, 2025 and 2024, 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, 2025 and 2024, the Program received $349,050 and $808,895, respectively, from the National Opioid Settlement Fund representing the attorneys' fees apportioned to the Arkansas Municipal League. These amounts are considered

NOTE 5: OTHER INCOME (Continued)

nonoperating revenue and are reflected as other income in the Program's statements of revenues, expenditures and changes in net position – modified cash basis in the period that they are received. 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. As of December 31, 2025, the Program has collected $1,848,857.

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, 2025, 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, 2025 and 2024

(With Independent Auditor's Report Thereon)

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

TABLE OF CONTENTS

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025 and 2024, 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 **Health Benefit Program** and the **Life Benefit Account**, which collectively comprise the **Municipal Health Benefit Trust**, as of December 31, 2025 and 2024, 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.

Landmark PLC, Certified Public Accountants
200 W Capitol Ave, Ste 1700 | Little Rock, AR 72201 | Telephone (501) 375-2025 | Fax (501) 375-8704 | www.landmarkcpas.com

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 these audits in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 League's ability to continue to operate the Health Benefit Program and the Life Benefit Account 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 opinions are not modified with respect to this matter.

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.

Landmark PLC

Little Rock, Arkansas
April 15, 2026

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, 2025 and 2024

	2025			2024		
	Health Benefit Program	Life Benefit Account	Trust Total	Health Benefit Program	Life Benefit Account	Trust Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 1,771,048	$ 124,427	**$ 1,895,475**	$ 4,711,124	$ 261,988	**$ 4,973,112**
Investments	6,386,814	3,007,509	**9,394,323**	12,058,977	2,629,187	**14,688,164**
TOTAL ASSETS	$ 8,157,862	$ 3,131,936	**$ 11,289,798**	$ 16,770,101	$ 2,891,175	**$ 19,661,276**
LIABILITIES AND NET POSITION						
Current Liabilities						
Premiums payable	$ 36,695	$ -	**$ 36,695**	$ 35,094	$ -	**$ 35,094**
Claims underpayment payable	-	-	**-**	175,000	-	**175,000**
Unearned membership fees	2,547,607	-	**2,547,607**	2,313,367	-	**2,313,367**
Total Liabilities	2,584,302	-	**2,584,302**	2,523,461	-	**2,523,461**
Net Position	5,573,560	3,131,936	**8,705,496**	14,246,640	2,891,175	**17,137,815**
TOTAL LIABILITIES AND NET POSITION	$ 8,157,862	$ 3,131,936	**$ 11,289,798**	$ 16,770,101	$ 2,891,175	**$ 19,661,276**

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, 2025 and 2024

	2025			2024		
	Health Benefit Program	Life Benefit Account	Trust Total	Health Benefit Program	Life Benefit Account	Trust Total
OPERATING REVENUES						
Membership fees	$ 103,235,105	$ -	**$ 103,235,105**	$ 95,487,777	$ -	**$ 95,487,777**
Total Operating Revenues	103,235,105	-	**103,235,105**	95,487,777	-	**95,487,777**
OPERATING EXPENDITURES						
Claims paid, net	110,019,108	52,000	**110,071,108**	87,990,624	80,000	**88,070,624**
Service fee	481,865	129,477	**611,342**	423,702	121,880	**545,582**
Reserve fee	397,280	18,767	**416,047**	393,540	9,222	**402,762**
Insurance premiums	898,240	-	**898,240**	844,904	-	**844,904**
Pharmacy administrative service fee	349,154	-	**349,154**	320,567	-	**320,567**
Claim consultant fees	2,222,954	-	**2,222,954**	1,340,049	-	**1,340,049**
Personnel costs	2,595,154	-	**2,595,154**	2,302,386	-	**2,302,386**
Professional services	842,111	-	**842,111**	1,044,060	-	**1,044,060**
Other	910,989	-	**910,989**	554,039	-	**554,039**
Total Operating Expenditures	118,716,855	200,244	**118,917,099**	95,213,871	211,102	**95,424,973**
Operating Loss before Subsidies and Transfers	(15,481,750)	(200,244)	**(15,681,994)**	273,906	(211,102)	**62,804**

(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, 2025 and 2024

	2025			2024		
	Health Benefit Program	Life Benefit Account	Trust Total	Health Benefit Program	Life Benefit Account	Trust Total
SUBSIDIES AND TRANSFERS						
Operating subsidies - personnel costs	$ 155,984	$ -	**$ 155,984**	$ 143,888	$ -	**$ 143,888**
Operating subsidies - reserve	6,484,602	-	**6,484,602**	-	-	**-**
Operating transfers - dependent life fees	(59,098)	59,098	-	(56,719)	56,719	-
Total Subsidies and Transfers	6,581,488	59,098	**6,640,586**	87,169	56,719	**143,888**
Net Operating (Loss) Income	(8,900,262)	(141,146)	**(9,041,408)**	361,075	(154,383)	**206,692**
NONOPERATING REVENUES (EXPENDITURES), NET						
Investment income, net	233,287	391,759	**625,046**	552,384	130,948	**683,332**
Investment fees	(6,105)	(9,852)	**(15,957)**	(6,470)	(10,103)	**(16,573)**
Total Nonoperating Revenues, Net	227,182	381,907	**609,089**	545,914	120,845	**666,759**
(DECREASE) INCREASE IN NET POSITION	(8,673,080)	240,761	**(8,432,319)**	906,989	(33,538)	**873,451**
NET POSITION, BEGINNING OF YEAR	14,246,640	2,891,175	**17,137,815**	13,339,651	2,924,713	**16,264,364**
NET POSITION, END OF YEAR	$ 5,573,560	$ 3,131,936	**$ 8,705,496**	$ 14,246,640	$ 2,891,175	**$ 17,137,815**

See accompanying notes to financial statements.

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. The Municipal Health Benefit Program Trust (the Trust) was established by the League in 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.

NOTE 1: NATURE OF OPERATIONS AND 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 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, 2025, 326 municipal entities were participating in the Health Benefit Program, of which 230 were cities and towns. Covered lives at December 31, 2025, totaled 20,262 of which 16,657 were city and town employees, elected officials and their dependents. At December 31, 2024, there were 321 participating municipal entities, of which 197 were cities and towns. Covered lives at December 31, 2024, totaled 18,221, of which 14,768 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.

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

Basis of Presentation

Net position is categorized into amounts restricted and unrestricted, as applicable. As of December 31, 2025 and 2024, 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 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 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.

NOTE 1: NATURE OF OPERATIONS AND 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 annually 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, 2025, recoveries totaled $98,456, and rebates totaled $6,500,666. During the year ended December 31, 2024, recoveries totaled $254,956, and rebates totaled $7,392,003. Life Benefit Account claims include payments made to members or their designated beneficiaries for dependent life benefits.

Claims overpayments and underpayments are recorded in the period when the original claim is paid, if possible; otherwise, they are recorded when they are known and can be reasonably estimated.

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.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

At December 31, 2025, cash and cash equivalents include the following:

	2025		
	Health Benefit Program	Life Benefit Account	Total
Interest-bearing deposit account	$ 1,471,134	$ -	$ 1,471,134
Equity in pooled cash management accounts	198,982	124,427	323,409
Money market mutual fund	100,932	-	100,932
	$ 1,771,048	$ 124,427	$ 1,895,475

At December 31, 2024, cash and cash equivalents include the following:

	2024		
	Health Benefit Program	Life Benefit Account	Total
Interest-bearing deposit account	$ 3,189,860	$ -	$3,189,860
Equity in pooled cash management accounts	301,798	261,988	563,786
Money market mutual fund	1,219,466	-	1,219,466
	$ 4,711,124	$ 261,988	$ 4,973,112

The interest-bearing deposit account, the pooled cash management accounts and the accounts of other funds and 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. The open-ended mutual fund is not subject to custodial credit risk.

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 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 certain funds and 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, 2025 and 2024, 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 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.

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:

	2025			
	Cost [(1)]	Fair Value	Weighted Average Life (Years)	Credit Rating
U.S. Treasury obligations	$ 2,456,558	$ 2,473,100	2.11	Aa1/AA+
U.S. agency and government-sponsored entity obligations	1,447,239	1,345,212	7.97	Aa1/AA+
Corporate notes and bonds	2,269,812	2,117,346	1.91	Aa3/AA+ to A3/A-
Municipal bonds	213,205	200,076	3.09	Aaa/AAA
	$ 6,386,814	$ 6,135,734		

	2024			
	Cost [(1)]	Fair Value	Weighted Average Life (Years)	Credit Rating
U.S. Treasury obligations	$ 5,336,771	$ 5,239,324	2.76	Aaa/AA+
U.S. agency and government-sponsored entity obligations	2,777,889	2,584,651	5.51	Aa1/AA+
Corporate notes and bonds	3,675,723	3,276,482	3.26	Aa3/AA to Baa1/BBB
Municipal bonds	268,594	250,583	3.35	Aaa/AAA
	$ 12,058,977	$ 11,351,040		

[(1)] Historical cost. Does not include amortization/accretion of premiums/discounts.

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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Equity Securities				
Russell 3000 Account	$ 140,266	$ 844,645	$167,460	$860,913
Large Cap Growth Account	277,354	428,344	250,835	368,446
Wellington Management Accounts:				
Large Growth	364,689	561,417	317,980	528,129
International Quality Growth	323,935	355,976	202,743	271,814
Debt Securities				
Passive Bond Market Account	1,454,408	1,833,041	1,454,408	1,714,584
Arkansas Bond Account	200,075	202,897	192,492	188,962
Stephens Opportunistic Account	71,790	72,307	2,808	2,836
Money Market Mutual Funds				
Stephens Opportunistic Account	174,992	174,992	40,461	40,461
	$ 3,007,509	$ 4,473,619	$ 2,629,187	$ 3,976,145

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 2nd 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 2025 and 2024 provided benefits covering dental, 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.

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 programs managed by the League. Each program covered by the Reserve Fund is assessed an annual reserve fee. For the years ended December 31, 2025 and 2024, the fee attributable to the Health Benefit Program was $4.00 per covered employee, per month. For the years ended December 31, 2025 and 2024, 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 programs managed by the League. During the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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 $2,439,170 and $2,158,498 during the years ended December 31, 2025 and 2024, 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 $155,984 and $143,888 during the years ended December 31, 2025 and 2024, 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 Health Benefit Program and the Life Benefit Account. Personnel costs associated with these employees are paid by the League's General Operating Fund and are not reported in the financial statements of the Health Benefit Program or the Life Benefit Account as management of the League believes such amounts are not readily determinable and would not be material to the financial statements.

During the year ended December 31, 2025, the Executive Committee of the League voted that the Reserve Fund would reimburse the Program for amounts paid in excess of $125,000 on individual claims paid during the period July 1, 2024 through June 30, 2025 and the Program received $6,484,602 from the Reserve Fund for claims in excess of $125,000.

NOTE 4: TRANSACTIONS WITH THE LEAGUE (Continued)

During the year ended December 31, 2024, the Executive Committee of the League voted that the Reserve Fund would reimburse the Program for amounts paid in excess of $800,000 on individual claims paid during the period July 1, 2023 through June 30, 2024. The Program did not have any claims in excess of $800,000.

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 $1,373,726 and $1,111,841 for the years ended December 31, 2025 and 2024, respectively.

All investment advisory service fees are paid by the Reserve Fund. For the years ended December 31, 2025 and 2024, investment advisory service fees for all funds and programs managed by the League totaled $412,170 and $378,322, respectively.

NOTE 5: PENSIONS

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 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. 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 this note disclosure.

Contributions

Plan participants hired after July 1, 2005, are required to contribute 6.00% (5.75% prior to July 1, 2025 and 5.50% prior to July 1, 2024) 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, 2024 through December 31, 2025. 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, 2025 and 2024 was $239,896 and $222,870, respectively, which were equal to the required contributions for each year.

NOTE 5: PENSIONS (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 $7,756,309 and $8,817,713 at June 30, 2025 and 2024, 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 $1,372,867 and $1,593,361 at June 30, 2025 and 2024, 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, 2025, based on events that occurred during 2025 and actual payments related to those claims during the period from January 1, 2026 through March 31, 2026 and an estimate of claims to be paid from April 1, 2026 through December 31, 2026, totaled approximately $15 million.

Arkansas Municipal League
Municipal Vehicle Program

Financial Statements
December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

Arkansas Municipal League
Municipal Vehicle Program

TABLE OF CONTENTS

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, 2025 and 2024, 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, 2025 and 2024, 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.

Landmark PLC, Certified Public Accountants
200 W Capitol Ave, Ste 1700 | Little Rock, AR 72201 | Telephone (501) 375-2025 | Fax (501) 375-8704 | www.landmarkcpas.com

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 League's ability to continue to operate the Program 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 on the financial statements of the Municipal Vehicle Program 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 are directly attributable to the Program and are not intended to and do not present the financial position or results of operations of the League or any other program managed by the League.

Landmark PLC

Little Rock, Arkansas
July 14, 2026

Arkansas Municipal League
Municipal Vehicle Program

Statements of Assets, Liabilities and Net Position – Modified Cash Basis
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,296,233	$ 4,361,163
Investments	20,798,895	17,740,714
Reinsurance proceeds receivable	1,252,548	281,966
TOTAL ASSETS	$ 24,347,676	$ 22,383,843
LIABILITIES AND NET POSITION		
Current Liabilities	$ -	$ -
Net Position	24,347,676	22,383,843
TOTAL LIABILITIES AND NET POSITION	$ 24,347,676	$ 22,383,843

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, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Annual fees	$ 12,602,027	$ 13,598,663
OPERATING EXPENDITURES		
Claims:		
Claims paid, net	10,983,436	11,094,385
Adjustors' charges	267,974	250,045
Total claims	11,251,410	11,344,430
Service fee	974,069	978,409
Reserve fee	1,359,866	1,137,076
Reinsurance premiums	926,536	1,059,839
Personnel costs	550,405	506,023
Other	27,144	29,138
Total Operating Expenditures	15,089,430	15,054,915
Operating Loss before Subsidies	(2,487,403)	(1,456,252)
SUBSIDIES		
Operating subsidy - personnel costs	115,454	107,820
Total Subsidies	115,454	107,820
Net Operating Loss	(2,371,949)	(1,348,432)
NONOPERATING REVENUES (EXPENDITURES), NET		
Investment income	4,441,264	1,767,919
Investment fees	(105,482)	(109,836)
Total Nonoperating Revenues, Net	4,335,782	1,658,083
INCREASE IN NET POSITION	1,963,833	309,651
NET POSITION, BEGINNING OF YEAR	22,383,843	22,074,192
NET POSITION, END OF YEAR	$ 24,347,676	$ 22,383,843

See accompanying notes to financial statements.

Arkansas Municipal League
Municipal Vehicle Program

Notes to Financial Statements
December 31, 2025 and 2024

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. The Municipal Vehicle Program (the Program) was established by the League in 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. The number of cities and towns participating in the Program was 441 for each of the years ended December 31, 2025 and 2024. 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).

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 (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 program 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.

NOTE 1: NATURE OF OPERATIONS AND 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, 2025 and 2024, 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 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.

NOTE 1: NATURE OF OPERATIONS AND 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 an enumeration schedule and rates, which vary based on historical loss ratios. Rates are determined by the League, subject to approval by the members of the Board of Trustees. 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 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, 2025 and 2024, subrogation and salvage payments collected totaled $1,091,297 and $1,072,970, 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 $970,581 and $394,802 for the years ended December 31, 2025 and 2024, respectively.

NOTE 1: NATURE OF OPERATIONS AND 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:

	2025	2024
Interest-bearing deposit account	1,791,897	3,381,971
Equity in pooled cash management accounts	504,336	979,192
	$ 2,296,233	$ 4,361,163

The Program's interest-bearing deposit account, the pooled cash management accounts and the interest-bearing deposit accounts of other 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 regarding the investment portfolio managed by the League for the benefit of certain funds and 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 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 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

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments *(Continued)*
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. Below investment grade or non-rated securities are permissible only for short-term trading purposes. 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, 2025 and 2024, 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 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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Equity Securities				
Russell 3000 Account	$ 1,021,488	$ 6,151,145	$ 1,219,531	$ 6,269,620
Large Cap Growth Account	2,871,856	4,435,287	2,597,272	3,815,067
Wellington Management Accounts:				
Large Growth	4,922,917	7,578,537	4,292,390	7,129,190
International Quality Growth	4,372,778	4,805,308	2,736,818	3,669,206
Debt Securities				
Arkansas Bond Account	2,135,678	2,166,921	2,174,772	2,134,264
Passive Bond Market Account	3,000,000	3,781,004	3,000,000	3,536,663
Stephens Opportunistic Account	415,874	418,867	43,637	44,074
Money Market Mutual Funds				
Arkansas Bond Account	124,740	124,470	-	-
Stephens Opportunistic Account	1,013,711	1,013,711	628,865	628,865
Alternative Investments				
KKR Lending Partners, L.P.	28,526	28,526	46,244	46,244
Owl Rock Capital Corporation	891,327	727,329	1,001,185	997,514
	$ 20,798,895	$ 31,231,105	$ 17,740,714	$ 28,270,707

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 2nd 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 2025 generally provided coverage when a loss exceeded $400,000 per occurrence up to $1,600,000 of the ultimate net loss per occurrence, and the policy in effect during 2024 generally provided coverage when a loss exceeded $400,000 per occurrence up to $2,000,000 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, 2025 and 2024, 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 funds and benefit programs managed by the League. The service fee for the years ended December 31, 2025 and 2024, 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.

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 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, 2025 and 2024, management has elected to report all personnel costs associated with the Program and the Municipal Property Program in the Program's financial statements.

NOTE 4: 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 and the Municipal Property Program. These reimbursements totaled $434,951 and $398,203 during the years ended December 31, 2025 and 2024, 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 $115,454 and $107,820 during the years ended December 31, 2025 and 2024, 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 $6,802 and $5,456 during the years ended December 31, 2025 and 2024, respectively. There were approximately $31,323 and $37,506 in claims and claims-related expenses paid by the Program related to losses incurred by the League during the years ended December 31, 2025 and 2024, respectively.

NOTE 5: PENSIONS

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.

NOTE 5: PENSIONS (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 this note disclosure.

Contributions

Plan participants hired after July 1, 2005, are required to contribute 6.00% (5.75% prior to July 1, 2025, and 5.50% prior to July 1, 2024) 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, 2024 through December 31, 2025. 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, 2025 and 2024 totaled $46,895 and $40,208, 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 $7,756,309 and $8,817,713 at June 30, 2025 and 2024, 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 $268,368 and $287,457 at June 30, 2025 and 2024, 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

Arkansas Municipal League
Municipal Property Program

Financial Statements
December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

Arkansas Municipal League
Municipal Property Program

TABLE OF CONTENTS

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, 2025 and 2024, 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, 2025 and 2024, 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.

Landmark PLC, Certified Public Accountants
200 W Capitol Ave, Ste 1700 | Little Rock, AR 72201 | Telephone (501) 375-2025 | Fax (501) 375-8704 | www.landmarkcpas.com

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 League's ability to continue to operate the Program 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 on the Municipal Property Program 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 to present and do not present the financial position or results of operations of the League or any other program managed by the League.

Landmark PLC

Little Rock, Arkansas
July 14, 2026

Arkansas Municipal League
Municipal Property Program

Statements of Assets, Liabilities and Net Position – Modified Cash Basis
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,980,759	$ 1,499,828
Investments	3,086,332	2,951,940
Prepaid reinsurance premiums	4,100,395	4,381,365
Reinsurance proceeds receivable	2,483,945	5,626,285
TOTAL ASSETS	$ 11,651,431	$ 14,459,418
LIABILITIES AND NET POSITION		
Current Liabilities	$ -	$ -
Net Position	11,651,431	14,459,418
TOTAL LIABILITIES AND NET POSITION	$ 11,651,431	$ 14,459,418

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, 2025 and 2024

	2025	2024
OPERATING REVENUE		
Annual fees	$ 18,216,470	$ 15,322,660
OPERATING EXPENDITURES		
Claims:		
Claims paid, net	10,878,786	4,529,082
Adjustors' charges	832,871	585,498
Total claims	11,711,657	5,114,580
Service fee	479,496	413,168
Reserve fee	1,535,229	1,160,289
Reinsurance premiums	9,146,019	9,418,686
Other	333,164	281,525
Total Operating Expenditures	23,205,565	16,388,248
Operating Loss before Subsidies	(4,989,095)	(1,065,588)
SUBSIDIES		
Operating subsidy - reinsurance premiums	1,314,488	4,066,630
Net Operating (Loss) Income	(3,674,607)	3,001,042
NONOPERATING REVENUES (EXPENDITURES), NET		
Investment income	884,112	233,243
Investment fees	(17,492)	(17,869)
Total Nonoperating Revenues, Net	866,620	215,374
(DECREASE) INCREASE IN NET POSITION	(2,807,987)	3,216,416
NET POSITION, BEGINNING OF YEAR	14,459,418	11,243,002
NET POSITION, END OF YEAR	$ 11,651,431	$ 14,459,418

See accompanying notes to financial statements.

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. 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 the years ended December 31, 2025 and 2024, the number of cities and towns participating in the Program totaled 394 and 396, respectively. 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).

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 (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 program 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 like 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.

NOTE 1: NATURE OF OPERATIONS AND 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, 2025 and 2024, 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 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.

NOTE 1: NATURE OF OPERATIONS AND 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 the members of the Board of Trustees. 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 to $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 $100,000.

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 $7,894,056 and $10,367,669 for the years ended December 31, 2025 and 2024, respectively, of which $2,483,945 and $5,626,285 had not been collected and are reported as receivables on the statements of assets, liabilities and net position – modified cash basis at December 31, 2025 and 2024, respectively. Collections from subrogation or salvage efforts during the year ended December 31, 2025, totaled $131,661. There were no collections from subrogation or salvage efforts during the year ended December 31, 2024.

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

NOTE 1: NATURE OF OPERATIONS AND 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:

	2025	2024
Interest-bearing deposit account	$ 1,674,834	$ 1,423,528
Equity in pooled cash management accounts	305,925	76,300
	$ 1,980,759	$ 1,499,828

The Program's interest-bearing deposit account, the pooled cash management accounts and the interest-bearing deposit accounts of other 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 regarding the investment portfolio managed by the League for the benefit of certain funds and 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 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

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments *(Continued)*

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. Below investment grade or non-rated securities are permissible for short-term trading purposes. 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, 2025 and 2024, 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 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:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Equity Securities				
Russell 3000 Account	$ 437,946	$ 2,637,203	$ 522,854	$ 2,687,997
Large Cap Growth Account	670,540	1,035,580	606,428	890,767
Wellington Management Accounts:				
Large Growth	582,244	896,329	507,670	843,184
International Quality Growth	517,177	568,334	323,689	433,965
Debt Securities				
Passive Bond Market Account	265,749	334,933	265,749	313,289
Arkansas Bond Account	220,328	223,547	224,361	220,178
Stephens Opportunistic Account	-	-	4,482	4,527
Money Market Mutual Funds				
Arkansas Bond Account	12,869	12,869	-	-
Stephens Opportunistic Account	-	-	64,598	64,598
Alternative Investments				
KKR Lending Partners, L.P.	11,767	11,767	19,076	19,076
Owl Rock Capital Corporation	367,712	300,056	413,033	411,519
	$ 3,086,332	$ 6,020,618	$ 2,951,940	$ 5,889,100

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 2nd 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, 2025 and 2024:

	All Peril Deductible		Wind / Hail Deductible		Flood Deductible
Effective Dates	**Per Occurrence Single Structure**	**Per Occurrence Multiple Structures**	**Per Occurrence Single Structure**	**Per Occurrence Multiple Structures**	**Hazard and Non Hazard Zones**
7/1/23 - 6/30/24					
NLC Bottom layer	$ 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
7/1/24 - 6/30/25					
NLC Bottom layer	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000
Alliant	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
7/1/25 - 6/30/26					
NLC Bottom Layer	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000
Alliant	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 5,000,000

NOTE 3: REINSURANCE (Continued)

Effective Dates	Coverage Limits: Aggregate	Coverage Limits: Flood Aggregate	Coverage Limits: Flood Sublimit Per Occurrence	Coverage Limits: Flood Sublimit Per Occurrence in Hazard Zone
7/1/23 - 6/30/24				
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
7/1/24 - 6/30/25				
NLC Bottom layer	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Alliant	$ 500,000,000	$ 50,000,000	$ 10,000,000	$ 5,000,000
7/1/25 - 6/30/26				
NLC Bottom Layer	$ 2,500,000	$ 2,500,000	$ 2,500,000	$ 2,500,000
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 members.

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, 2025 and 2024, 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 funds and benefit programs managed by the League. The service fee for the years ended December 31, 2025 and 2024, 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 $46,738 and $39,200 during the years ended December 31, 2025 and 2024, respectively. There were no claims paid by the Program related to losses incurred by the League during the years ended December 31, 2025 and 2024.

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, 2025 and 2024. 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 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 2025 or 2024 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.

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.

As of the date of the independent auditor's report, the Program paid almost $6.9 million in claims related to events that occurred prior to December 31, 2025. Management estimates that approximately $3.4 million of this amount will be covered by reinsurance. These claims and expected reinsurance recoveries are not reported in the accompanying financial statements.

Arkansas Municipal League
Municipal League Workers' Compensation Program

Financial Statements
and
Supplementary Information
December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

Arkansas Municipal League
Municipal League Workers' Compensation Program

TABLE OF CONTENTS

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, 2025 and 2024, 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 Program as of and for the years ended December 31, 2025 and 2024, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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.

Landmark PLC, Certified Public Accountants
200 W Capitol Ave, Ste 1700 | Little Rock, AR 72201 | Telephone (501) 375-2025 | Fax (501) 375-8704 | www.landmarkcpas.com

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 these audits in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 ability of the League to continue to operate the Program 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

U.S. GAAP requires 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.

U.S. GAAP also requires 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 audits were 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 audits 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.

Landmark PLC

Little Rock, Arkansas
April 15, 2026

Financial Statements

Arkansas Municipal League
Municipal League Workers' Compensation Program

Statements of Net Position
December 31, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 23,019,146	$ 18,762,125
Investments	28,666,247	29,644,259
Premiums receivable	1,216,840	1,356,322
Accrued interest receivable	247,413	247,127
Total Current Assets	53,149,646	50,009,833
Restricted Assets		
Certificate of deposit	3,100,000	3,100,000
TOTAL ASSETS	56,249,646	53,109,833
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow related to pensions	169,290	208,201
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 56,418,936	$ 53,318,034
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 434,826	$ 425,453
Premium overpayment	539,015	292,317
Unearned premiums	1,282,776	1,350,994
Liability for unpaid claims and claims adjustment expenses	9,892,536	11,196,625
Total Current Liabilities	12,149,153	13,265,389
Long-term Liabilities		
Liability for unpaid claims and claim adjustment expenses	21,426,000	20,763,000
Net pension liability	803,553	905,578
Total Noncurrent Liabilities	22,229,553	21,668,578
TOTAL LIABILITIES	34,378,706	34,933,967
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pensions	82,422	48,797
NET POSITION		
Restricted	3,100,000	3,100,000
Unrestricted	18,857,808	15,235,270
Total Net Position	21,957,808	18,335,270
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 56,418,936	$ 53,318,034

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, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Premiums, net	$ 14,814,075	$ 15,387,715
OPERATING EXPENSES		
Claims paid	8,325,080	8,310,287
Decrease in liability for unpaid claims and claims adjustment expenses	(641,087)	(92,620)
Service fee	1,882,710	1,756,761
Reserve fee	1,500,227	1,480,257
Premium tax	434,826	425,453
Personnel costs	1,470,172	1,431,105
Utilization review	372,195	401,807
Other	259,536	227,885
Total Operating Expenses	13,603,659	13,940,935
Operating Income before Operating Subsidies	1,210,416	1,446,780
OPERATING SUBSIDIES		
Personnel costs	128,008	109,190
Excess claims	15,126	130,841
Total Operating Subsidies	143,134	240,031
Net Operating Income	1,353,550	1,686,811
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,978,286	2,063,462
Net appreciation in fair value of investments	310,511	67,252
Investment fees	(19,809)	(18,622)
Total Nonoperating Revenues (Expenses), Net	2,268,988	2,112,092
CHANGE IN NET POSITION	3,622,538	3,798,903
NET POSITION, BEGINNING OF YEAR	18,335,270	14,536,367
NET POSITION, END OF YEAR	$ 21,957,808	$ 18,335,270

See accompanying notes to financial statements.

Arkansas Municipal League
Municipal League Workers' Compensation Program

Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from		
Premiums, net	$ 15,132,037	$ 15,060,196
Operating subsidy - excess claims	15,126	130,841
Disbursements for		
Claims	8,325,080	8,310,287
Service fee	1,882,710	1,756,761
Reserve fee	1,500,227	1,480,257
Premium tax	434,826	466,880
Personnel costs	1,342,164	1,321,915
Utilization review	372,195	401,807
Other	279,654	107,697
Total Operating Disbursements	14,136,856	13,845,604
Net Cash Provided by Operating Activities	1,010,307	1,345,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	10,687,880	18,500,396
Purchases of investments	(9,399,357)	(17,549,160)
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	1,978,000	1,979,576
Investment fees paid	(19,809)	(18,622)
Net Cash Provided by Investing Activities	3,246,714	2,912,190
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,257,021	4,257,623
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,762,125	14,504,502
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 23,019,146	$ 18,762,125
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 1,353,550	$ 1,686,811
Adjustments to reconcile net operating income to net cash provided by operating activities		
Change in operating assets and liabilities:		
Premiums receivable	139,482	36,177
Accounts payable	9,373	(658)
Premium overpayment	246,698	11,504
Unearned premiums	(68,218)	(375,200)
Liability for unpaid claims and claim adjustment expenses	(641,089)	(92,621)
Net pension adjustments	(29,489)	79,420
Net Cash Provided by Operating Activities	$ 1,010,307	$ 1,345,433

See accompanying notes to financial statements.

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, 2025 and 2024, respectively, there were 616 and 617 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.

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 U.S. 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 the effects of interest earned but not collected as of the reporting date. Premiums and discounts are not amortized or accreted. Purchases and sales are recorded on a trade date basis.

Liability for Unpaid Claims and Claim Adjustment Expenses
The liability for unpaid claims and claim 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 claim 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 claim 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liability for Unpaid Claims and Claim 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 estimated base ULAE cost per open claim was $800 as of December 31, 2025, 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. For the years ended December 31, 2025 and 2024, respectively, credits and discounts totaled $492,108 and $398,919.

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 premiums 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, 2025 and 2024. 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.

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:

	2025	2024
Demand deposit account	$ 2,615,123	$ 2,147,999
Equity in pooled cash management accounts	11,358,473	10,069,453
Money market mutual fund	9,045,550	6,544,673
	$ 23,019,146	$ 18,762,125

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, 2025 and 2024, 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, 2025 and 2024. The open-ended mutual fund, which invests primarily in short-term U.S. Treasury obligations, 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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments *(Continued)*
As of December 31, 2025 and 2024, 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):

	2025		
	Fair Value	Weighted Average Life (Years)(1)	Standard & Poor's Credit Rating
U.S. Treasury obligations	$ 21,401,597	2.41	AA + to AAA
U.S. agency and government-sponsored entity obligations	3,322,165	2.11	AA +
Corporate notes and bonds	3,942,485	2.81	A- to AA
	$ 28,666,247		

	2024		
	Fair Value	Weighted Average Life (Years)(1)	Standard & Poor's Credit Rating
U.S. Treasury obligations	$ 22,162,556	2.98	AA + to AAA
U.S. agency and government-sponsored entity obligations	3,174,598	3.09	AA +
Corporate notes and bonds	4,307,105	3.42	A+ to A-
	$ 29,644,259		

(1) 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, 2025 and 2024.

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.

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, 2025 and 2024:

	2025			
Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Classified as Cash and Cash Equivalents				
Money market mutual fund	$ 9,045,550	$ 9,045,550	$ -	$ -
Classified as Investments				
U.S. Treasury obligations	$ 21,401,597	$ 21,401,597	$ -	$ -
U.S. agency and government-sponsored entity obligations	3,322,165	3,322,165	-	-
Corporate notes and bonds	3,942,485	-	3,942,485	-
	$ 28,666,247	$ 24,723,762	$ 3,942,485	$ -

	2024			
Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Classified as Cash and Cash Equivalents				
Money market mutual fund	$ 6,544,673	$ 6,544,673	$ -	$ -
Classified as Investments				
U.S. Treasury obligations	$ 22,162,556	$ 22,162,556	$ -	$ -
U.S. agency and government-sponsored entity obligations	3,174,598	3,174,598	-	-
Corporate notes and bonds	4,307,105	-	4,307,105	-
	$ 29,644,259	$ 25,337,154	$ 4,307,105	$ -

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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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.

Foreign Currency Risk

The Program's investments are not subject to foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment denominated in a foreign currency.

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, 2025 and 2024, 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.

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 2025 and 2024 was equal to 10% of expected annual premiums in the previous year, payable in March.

NOTE 4: TRANSACTIONS WITH THE LEAGUE (Continued)

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. The percentage was 3% during 2025 and 2024, 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 $1,371,653 and $1,242,495 during the years ended December 31, 2025 and 2024, 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 $128,008 and $109,190 during the years ended December 31, 2025 and 2024, 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 years ended December 31, 2025 and 2024, the Executive Committee of the League voted that the Reserve Fund would reimburse the Program for amounts paid in excess of $800,000 on individual claims paid during the period from July 1, 2023 through June 30, 2025. The Program received $15,126 and $130,841 from the Reserve Fund for claims in excess of $800,000 during the years ended December 31, 2025 and 2024, respectively.

Employees of the League are insured through the Program. Premiums paid by the League to the Program totaled $12,441 and $11,808 for the years ended December 31, 2025 and 2024, respectively.

NOTE 5: LIABILITY FOR UNPAID CLAIMS AND CLAIM 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:

	2025	2024
Liability for unpaid claims and claim adjustment expenses at beginning of year	$ 31,959,625	$ 32,052,246
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	12,655,683	12,570,656
Decrease in provision for insured events of prior years	(4,971,692)	(4,352,990)
Total incurred claims and claim adjustment expenses	39,643,616	40,269,912
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	$ 3,119,740	$ 2,794,230
Claims and claim adjustment expenses attributable to insured events of prior years	5,205,340	5,516,057
Total claim payments	8,325,080	8,310,287
	$ 31,318,536	$ 31,959,625
Liability for unpaid claims and claim adjustment expenses at end of year:		
Current portion	$ 9,892,536	$ 11,196,625
Long-term portion	21,426,000	20,763,000
Total liability for unpaid claims and claim adjustment expenses	$ 31,318,536	$ 31,959,625

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 claim 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.

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 6.00% (5.75% prior to July 1, 2025, and 5.50% prior to July 1, 2024) 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, 2024 through December 31, 2025. The League's total contributions for the Plan years ended June 30, 2025 and 2024, for all covered employees were $1,355,347 and $1,233,372, 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 $140,414 and $126,667 for the Plan years ended June 30, 2025 and 2024, respectively.

Net Pension Liability

At December 31, 2025 and 2024, the League's proportionate share of the total net pension liability of APERS was $7,756,309 and $8,817,713, respectively. The net pension liability was measured as of June 30, 2025 and 2024, 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, 2025 and 2024, the League's proportionate share of APERS total net pension liability was 0.37% and 0.35%, respectively. The Program's proportionate share of APERS total net pension liability was 0.04% at June 30, 2025 and 2024, resulting in a net pension liability of $803,553 and $905,578, respectively. These amounts are reported as a long-term liabilities on the Program's statements of net position at December 31, 2025 and 2024.

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

During the years ended June 30, 2025 and 2024, the League's proportionate share of pension plan expense attributable to all participating employer entities was $1,065,176 and $1,700,246 respectively. The proportionate share of pension plan expense for employees directly involved in management and operation of the Program was $110,352 and $174,615 for the years ended June 30, 2025 and 2024, respectively. These amounts are included in personnel costs in the Program's statements of revenues, expenses and changes in net position.

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, 2025 and 2024, is attributable to the following:

	League 2025	League 2024
Differences between expected and actual experience	$ 240,313	$ 342,197
Net difference between projected and actual investment earnings on pension plan investments	-	255,799
Changes in proportion and differences between employer contributions and proportionate share of contributions	538,019	458,418
Changes of assumptions	134,583	307,293
League contributions subsequent to the measurement date	721,175	663,572
Total deferred outflow of resources	$ 1,634,090	$ 2,027,279

At December 31, 2025 and 2024, the Program's statements of net position report an allocation of the League's deferred outflow of resources related to pensions from the following:

	Program 2025	Program 2024
Differences between expected and actual experience	$ 24,896	$ 35,144
Net difference between projected and actual investment earnings on pension plan investments	-	26,271
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,739	47,080
Changes of assumptions	13,943	31,559
League contributions subsequent to the measurement date	74,712	68,147
Total deferred outflow of resources	$ 169,290	$ 208,201

The League's deferred inflow of resources at December 31, 2025 and 2024, is attributable to the following:

	League 2025	League 2024
Differences between expected and actual experience	$ 232,898	$ 360,516
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,137	114,615
Net difference between projected and actual investment earnings on pension plan investments	514,537	-
Total deferred inflow of resources	$ 795,572	$ 475,131

NOTE 7: PENSIONS (Continued)

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

At December 31, 2025 and 2024, 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	
	2025	2024
Differences between expected and actual experience	$ 24,128	$ 37,025
Net difference between projected and actual investment earnings on pension plan investments	53,306	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,988	11,772
Total deferred inflow of resources	$ 82,422	$ 48,797

The deferred outflow of resources resulting from contributions made subsequent to the measurement dates (June 30, 2025 and 2024) totaling $721,175 and $663,572 for the League and $74,712 and $68,147 for the Program is recognized as a reduction of the net pension liability during the years ended December 31, 2025 and 2024, 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,		
2025	$ 1,252,655	$ 129,775
2026	(433,310)	(44,891)
2027	(417,156)	(43,217)
2028	(284,846)	(29,511)
Thereafter	-	-

Actuarial Assumptions

The total net pension liability in the June 30, 2025 and 2024 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[(1)]	7.15%

[(1)] Net of investment and administrative expenses.

NOTE 7: PENSIONS (Continued)

Actuarial Assumptions *(Continued)*

Mortality rates in the June 30, 2025 and 2024 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, 2025, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	39%	5.14%
International equity	17%	5.97%
Real estate	16%	5.00%
Private equity	5%	8.77%
Hedge funds	2%	3.58%
Domestic fixed	21%	3.26%
Total	100%	

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, 2025:

	League Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balance at July 1, 2024	$ 42,590,928	$ 33,773,215	$ 8,817,713
Changes in the year:			
Service cost	949,224	-	949,224
Interest on the total pension liability	3,439,121	-	3,439,121
Changes in benefits terms	2,634	-	2,634
Differences between expected and actual experience	163,113	-	163,113
Contributions from the employer	-	1,355,347	(1,355,347)
Contributions from employees	-	420,460	(420,460)
Changes of assumption	-	-	-
Net investment income	-	4,247,556	(4,247,556)
Benefit payments, including refunds of employee contributions	(2,714,646)	(2,714,646)	-
Administrative expense	-	(49,807)	49,807
Other	-	(358,060)	358,060
Net changes	1,839,446	2,900,850	(1,061,404)
Balance at June 30, 2025	$ 44,430,374	$ 36,674,065	$ 7,756,309

NOTE 7: PENSIONS (Continued)

Changes 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, 2025:

	Program Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balance at July 1, 2024	$ 4,090,940	$ 3,185,362	$ 905,578
Changes in the year:			
Service cost	98,340	-	98,340
Interest on the total pension liability	356,293	-	356,293
Changes in benefits terms	274	-	274
Differences between expected and actual experience	16,898	-	16,898
Contributions from the employer	-	140,414	(140,414)
Contributions from employees	-	43,560	(43,560)
Changes of assumption	-	-	-
Net investment income	-	440,047	(440,047)
Benefit payments, including refunds of employee contributions	(281,237)	(281,237)	-
Administrative expense	-	(5,160)	5,160
Other	-	(45,031)	45,031
Net changes	190,568	292,593	(102,025)
Balance at June 30, 2025	$ 4,281,508	$ 3,477,955	$ 803,553

Discount Rate

The discount rate used by APERS to measure the total pension liability at June 30, 2025 and 2024 was 7.00%. 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.

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 2025 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:

	Discount Rate	League	Program
1% decrease	6.00%	$ 14,474,368	$ 1,499,545
Current discount rate	7.00%	$ 7,756,309	$ 803,553
1% increase	8.00%	$ 2,216,530	$ 229,633

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, 2016 through December 31, 2025
(In thousands)

	December 31			
	2016	2017	2018	2019
Premiums earned and investment income, net of excess reserve fees, premiums refunds and investment expenses:				
Earned	$ 15,395	$ 15,018	$ 13,670	$ 13,303
Excess reserve fee	1,439	1,441	1,327	1,202
Net earned	$ 13,956	$ 13,577	$ 12,343	$ 12,101
Unallocated expenses	$ 3,095	$ 3,545	$ 3,154	$ 2,981
Estimated incurred claims and expenses, end of policy year	$ 5,650	$ 6,279	$ 4,230	$ 6,531
Paid (cumulative) as of:				
End of policy year	$ 2,622	$ 2,745	$ 2,552	$ 2,677
One year later	$ 5,086	$ 4,726	$ 3,792	$ 4,428
Two years later	$ 6,503	$ 5,204	$ 4,153	$ 4,883
Three years later	$ 7,004	$ 5,556	$ 4,232	$ 5,195
Four years later	$ 7,374	$ 5,814	$ 4,316	$ 5,416
Five years later	$ 7,568	$ 6,065	$ 4,383	$ 5,504
Six years later	$ 7,770	$ 6,212	$ 4,405	$ 5,595
Seven years later	$ 7,928	$ 6,277	$ 4,413	
Eight years later	$ 8,174	$ 6,318		
Nine years later	$ 8,359			
Reestimated incurred claims and expense:				
End of policy year	$ 5,650	$ 6,279	$ 4,230	$ 6,531
One year later	$ 6,720	$ 5,824	$ 4,527	$ 6,848
Two years later	$ 7,535	$ 6,065	$ 4,682	$ 6,764
Three years later	$ 8,317	$ 6,316	$ 4,550	$ 5,976
Four years later	$ 8,292	$ 6,625	$ 4,459	$ 6,153
Five years later	$ 8,386	$ 6,744	$ 4,519	$ 6,039
Six years later	$ 8,589	$ 6,706	$ 4,445	$ 6,086
Seven years later	$ 8,600	$ 6,709	$ 4,452	
Eight years later	$ 8,687	$ 6,724		
Nine years later	$ 8,779			
(Increase) decrease in estimated incurred claims and expense from end of policy year	$ 3,129	$ 445	$ 222	$ (445)

(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, 2016 through December 31, 2025
(In thousands)

December 31					
2020	**2021**	**2022**	**2023**	**2024**	**2025**
$ 14,178	$ 13,317	$ 12,890	$ 16,289	$ 17,500	$ 17,083
1,282	1,352	1,393	1,346	1,480	1,500
$ 12,896	$ 11,965	$ 11,497	$ 14,943	$ 16,020	$ 15,583
$ 2,726	$ 3,007	$ 3,178	$ 3,795	$ 4,243	$ 4,419
$ 5,579	$ 7,454	$ 5,990	$ 5,802	$ 5,550	$ 4,980
$ 2,353	$ 3,511	$ 3,342	$ 2,747	$ 2,794	$ 3,119
$ 4,479	$ 5,464	$ 5,722	$ 6,080	$ 5,597	
$ 5,175	$ 6,060	$ 6,272	$ 6,884		
$ 5,610	$ 6,347	$ 6,600			
$ 5,831	$ 6,540				
$ 6,002					
$ 5,579	$ 7,454	$ 5,990	$ 5,802	$ 5,550	$ 4,980
$ 6,635	$ 7,735	$ 7,003	$ 7,768	$ 6,762	
$ 6,698	$ 7,429	$ 7,024	$ 7,766		
$ 6,670	$ 7,405	$ 7,143			
$ 6,668	$ 7,450				
$ 6,793					
$ 1,214	$ (4)	$ 1,153	$ 1,964	$ 1,212	$ -

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, 2016 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
LEAGUE										
Proportionate share of the net pension liability (percentage)	0.37%	0.35%	0.33%	0.34%	0.34%	0.32%	0.30%	0.30%	0.31%	0.33%
Proportionate share of the net pension liability (dollars)	$ 7,756,309	$ 8,817,713	$ 9,519,688	$ 9,126,178	$ 2,596,707	$ 9,176,320	$ 7,171,264	$ 6,627,850	$ 7,885,196	$ 7,879,379
Covered-employee payroll	$ 8,997,306	$ 8,165,455	$ 7,294,993	$ 7,125,091	$ 6,757,990	$ 6,267,743	$ 5,754,891	$ 5,656,548	$ 5,515,805	$ 5,972,434
Proportionate share of the net pension liability as a percentage of covered-employee payroll	86%	108%	130%	128%	38%	146%	125%	117%	143%	132%
Plan fiduciary net position as a percentage of the total pension liability	85%	82%	78%	78%	94%	75%	79%	80%	76%	76%

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PROGRAM										
Proportionate share of the net pension liability (percentage)	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%
Proportionate share of the net pension liability (dollars)	$ 803,553	$ 905,578	$ 924,361	$ 898,073	$ 233,444	$ 778,152	$ 705,652	$ 649,529	$ 889,056	$ 898,249
Covered-employee payroll	$ 932,232	$ 838,935	$ 708,693	$ 701,400	$ 607,803	$ 531,651	$ 566,102	$ 554,350	$ 621,915	$ 680,649
Proportionate share of the net pension liability as a percentage of covered-employee payroll	86%	108%	130%	128%	38%	146%	125%	117%	143%	132%
Plan fiduciary net position as a percentage of the total pension liability	85%	82%	78%	78%	94%	75%	80%	80%	76%	76%

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, 2016 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
LEAGUE										
Required contributions	$ 1,355,347	$ 1,233,372	$ 1,109,214	$ 1,083,926	$ 1,033,245	$ 957,885	$ 871,451	$ 830,105	$ 797,431	$ 870,580
Contributions in relation to the required contribution	1,355,347	1,233,372	1,109,214	1,083,926	1,033,245	957,885	871,451	830,105	797,431	870,580
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 8,997,306	$ 8,165,455	$ 7,294,993	$ 7,125,091	$ 6,757,990	$ 6,267,743	$ 5,754,891	$ 5,656,548	$ 5,515,805	$ 5,972,434
Contribution as a percentage of covered-employee payroll	15%	15%	15%	15%	15%	15%	15%	15%	14%	15%

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PROGRAM										
Required contributions	$ 140,414	$ 126,667	$ 107,705	$ 106,658	$ 92,889	$ 81,229	$ 85,751	$ 81,350	$ 89,910	$ 99,246
Contributions in relation to the required contribution	140,414	126,667	107,705	106,658	92,889	81,229	85,751	81,350	89,910	99,246
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 932,232	$ 838,935	$ 708,693	$ 701,400	$ 607,803	$ 531,651	$ 566,102	$ 554,350	$ 621,915	$ 680,649
Contribution as a percentage of covered-employee payroll	15%	15%	15%	15%	15%	15%	15%	15%	14%	15%

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, 2025, the Six Months Ended December 31, 2002 and the Years Ended June 30, 1986 through June 30, 2002

	Cumulative Total	December 31 2025	2024	2023	2022	2021	2020	2019	2018	2017
INCOME										
Premiums earned to date	$ 399,559,637	$ 14,814,075	$ 15,387,715	$ 14,055,438	$ 14,078,114	$ 13,454,362	$ 12,716,305	$ 11,894,019	$ 13,275,063	$ 14,687,694
Investment income	42,042,988	2,288,797	2,130,714	2,251,165	(1,170,805)	(119,793)	1,479,300	1,504,305	489,906	452,624
Operating transfers	2,632,403	143,134	240,031	181,479	199,479	76,013	448,125	193,128	13,880	91,301
Other income	551	-	-	-	-	-	-	-	-	-
Total Income	444,235,579	17,246,006	17,758,460	16,488,082	13,106,788	13,410,582	14,643,730	13,591,452	13,778,849	15,231,619
CHARGES TO FUND										
Claims paid to date:										
Gross incurred claims	260,241,025	3,120,153	5,596,724	6,884,276	6,599,609	6,539,938	6,002,145	5,595,401	4,413,417	6,318,230
Less excess over retention	637,858	-	-	-	-	-	-	-	-	-
Net Claims Paid	259,603,167	3,120,153	5,596,724	6,884,276	6,599,609	6,539,938	6,002,145	5,595,401	4,413,417	6,318,230
Reserves on open claims	9,892,536	1,860,203	1,164,806	882,009	543,767	909,690	791,145	490,653	38,428	406,027
Actuary reserves	21,426,000	4,556,000	2,526,000	2,134,000	1,772,000	1,234,000	937,000	876,000	751,000	666,000
Excess reserve fee/reinsurance	35,507,580	1,500,227	1,480,257	1,346,404	1,393,038	1,351,993	1,281,915	1,201,735	1,327,288	1,441,164
Service fee	34,549,586	1,882,710	1,756,761	1,567,142	1,063,486	1,033,592	946,850	899,608	885,437	1,058,022
Operating expenses	60,685,351	2,556,538	2,504,873	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	-	-	-	-	-	-	-	-	-
Total Charges to Fund	422,277,771	15,475,831	15,029,421	15,059,203	13,504,028	13,059,841	11,755,625	11,239,645	9,779,184	12,498,273
SURPLUS (DEFICIT)	$ 21,957,808	$ 1,770,175	$ 2,729,039	$ 1,428,879	$ (397,240)	$ 350,741	$ 2,888,105	$ 2,351,807	$ 3,999,665	$ 2,733,346

(Continued)

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, 2025, 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**
INCOME								
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	-	-	-	-	-	-	-	-
Total Income	15,605,324	15,429,321	15,166,953	13,635,445	13,352,053	14,299,719	10,403,528	11,544,997
CHARGES TO FUND								
Claims paid to date:								
Gross incurred claims	8,358,558	10,618,942	6,495,781	6,982,829	7,731,768	8,162,326	8,990,157	10,897,905
Less excess over retention	-	-	-	-	-	-	-	-
Net Claims Paid	8,358,558	10,618,942	6,495,781	6,982,829	7,731,768	8,162,326	8,990,157	10,897,905
Reserves on open claims	420,684	147,997	105,204	21,490	472,364	114,938	50,250	315,469
Actuary reserves	773,000	1,025,000	524,000	585,000	321,000	487,000	402,000	82,000
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	-	-	-	-	-	-
Total Charges to Fund	14,152,764	17,137,240	11,814,695	12,069,977	12,894,498	13,107,551	13,790,563	15,537,451
SURPLUS (DEFICIT)	$ 1,452,560	$ (1,707,919)	$ 3,352,258	$ 1,565,468	$ 457,555	$ 1,192,168	$ (3,387,035)	$ (3,992,454)

(Continued)

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, 2025, 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
INCOME							
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	-	-	-
Total Income	15,755,479	15,679,526	12,045,840	10,514,108	9,699,384	9,084,894	5,620,626
CHARGES TO FUND							
Claims paid to date:							
Gross incurred claims	8,471,154	8,345,730	8,977,743	8,346,052	12,159,098	8,680,912	4,078,367
Less excess over retention	-	-	-	-	-	-	-
Net Claims Paid	8,471,154	8,345,730	8,977,743	8,346,052	12,159,098	8,680,912	4,078,367
Reserves on open claims	31,132	197,370	45,405	47,839	544,115	60,382	6,681
Actuary reserves	349,000	161,000	258,000	223,000	101,000	152,000	78,000
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	-	-	-	-	-	-	-
Total Charges to Fund	13,300,309	12,697,858	12,754,225	11,935,481	16,118,091	11,938,257	6,146,519
SURPLUS (DEFICIT)	$ 2,455,170	$ 2,981,668	$ (708,385)	$ (1,421,373)	$ (6,418,707)	$ (2,853,363)	$ (525,893)

(Continued)

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, 2025, 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
INCOME									
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	-	-	-	-	-	-	-	-
Total Income	10,949,981	12,236,665	6,190,416	5,353,144	10,193,268	9,593,909	9,887,253	10,803,879	8,678,333
CHARGES TO FUND									
Claims paid to date:									
Gross incurred claims	7,666,207	7,217,848	7,343,506	5,443,447	5,362,836	5,324,264	5,432,468	6,015,270	4,684,676
Less excess over retention	-	-	-	-	-	-	-	35,000	-
Net Claims Paid	7,666,207	7,217,848	7,343,506	5,443,447	5,362,836	5,324,264	5,432,468	5,980,270	4,684,676
Reserves on open claims	24,347	32,508	6,090	8,513	48,294	39,203	9,408	22,197	2,239
Actuary reserves	-	116,000	97,000	89,000	48,000	20,000	28,000	24,000	22,000
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	-	-	-	-	-	-	-	-	-
Total Charges to Fund	10,505,355	10,064,337	10,091,477	8,158,743	7,565,407	7,268,391	7,444,121	7,759,112	6,339,100
SURPLUS (DEFICIT)	$ 444,626	$ 2,172,328	$ (3,901,061)	$ (2,805,599)	$ 2,627,861	$ 2,325,518	$ 2,443,132	$ 3,044,767	$ 2,339,233

(Continued)

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, 2025, the Six Months Ended December 31, 2002 and the Years Ended June 30, 1986 through June 30, 2002

	June 30							
	1993	1992	1991	1990	1989	1988	1987	1986
INCOME								
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	-	-	-	-	-	-	-	-
Total Income	7,851,804	6,429,147	4,924,867	4,871,907	4,541,726	3,652,554	2,821,978	2,161,983
CHARGES TO FUND								
Claims paid to date:								
Gross incurred claims	5,583,174	4,060,589	3,754,514	3,126,031	3,102,950	3,722,532	2,078,064	1,955,434
Less excess over retention	-	-	-	144,550	129,000	84,807	129,000	115,501
Net Claims Paid	5,583,174	4,060,589	3,754,514	2,981,481	2,973,950	3,637,725	1,949,064	1,839,933
Reserves on open claims	13,654	613	-	10,894	6,241	287	-	-
Actuary reserves	1,000	2,000	1,000	-	1,000	2,000	2,000	-
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	-	-	-	-	-	-	-	-
Total Charges to Fund	6,954,255	5,212,759	4,678,438	3,933,886	3,870,404	4,530,998	2,696,819	2,407,639
SURPLUS (DEFICIT)	$ 897,549	$ 1,216,388	$ 246,429	$ 938,021	$ 671,322	$ (878,444)	$ 125,159	$ (245,656)

(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, 2025

Security Type/Description	Interest Rate %	Maturity Date	Amount Invested (Cost)	Income Received	Book Yield % (1)	Duration (Years) (2)
U.S. Agency and Government-Sponsored Entity Obligations						
FNMA	2.125	4/24/2026	$ 720,998	$ 14,063	2.345	0.713
FNMA	1.875	9/24/2026	$ 722,642	$ 15,938	2.617	0.310
FHLMC	1.000	5/24/2029	$ 498,750	$ 5,000	1.031	3.283
FHLMC	1.000	5/25/2029	$ 749,063	$ 7,500	1.015	3.286
FFCBFC	1.125	6/1/2029	$ 748,688	$ 8,438	1.147	3.298
U.S. Treasury Obligations						
United States Treasury	0.000	1/23/2025	$ 487,569	$ -	Matured/Sold	Matured/Sold
United States Treasury	1.500	2/15/2025	$ 991,367	$ 7,500	Matured/Sold	Matured/Sold
United States Treasury	1.125	2/28/2025	$ 510,977	$ 2,813	Matured/Sold	Matured/Sold
United States Treasury	3.875	3/31/2025	$ 498,242	$ 9,688	Matured/Sold	Matured/Sold
United States Treasury	3.875	4/30/2025	$ 495,703	$ 9,688	Matured/Sold	Matured/Sold
United States Treasury	2.875	5/31/2025	$ 531,621	$ 7,188	Matured/Sold	Matured/Sold
United States Treasury	3.000	9/30/2025	$ 536,387	$ 15,000	Matured/Sold	Matured/Sold
United States Treasury	0.000	10/30/2025	$ 4,950,311	$ -	Matured/Sold	Matured/Sold
United States Treasury	5.000	10/31/2025	$ 250,469	$ 12,500	Matured/Sold	Matured/Sold
United States Treasury	4.500	11/15/2025	$ 505,922	$ 22,500	Matured/Sold	Matured/Sold
United States Treasury	4.875	11/30/2025	$ 503,965	$ 24,375	Matured/Sold	Matured/Sold
United States Treasury	0.000	1/29/2026	$ 2,941,369	$ -	4.087	0.079
United States Treasury	0.500	2/28/2026	$ 491,602	$ 2,500	0.845	0.162
United States Treasury	0.750	3/31/2026	$ 498,984	$ 3,750	0.792	0.245
United States Treasury	4.500	3/31/2026	$ 994,883	$ 45,000	4.774	0.245
United States Treasury	4.875	4/30/2026	$ 249,443	$ 12,188	4.993	0.328
United States Treasury	3.625	5/15/2026	$ 247,412	$ 9,063	3.997	0.368
United States Treasury	0.875	6/30/2026	$ 250,967	$ 2,188	0.796	0.491
United States Treasury	4.375	7/31/2026	$ 499,766	$ 21,875	4.400	0.564
United States Treasury	1.625	10/31/2026	$ 499,531	$ 8,125	1.639	0.813
United States Treasury	4.375	12/15/2026	$ 251,621	$ 10,938	4.142	0.929
United States Treasury	1.875	2/28/2027	$ 998,789	$ 18,750	1.901	1.129
United States Treasury	4.250	3/15/2027	$ 497,754	$ 21,250	4.413	1.153
United States Treasury	3.875	7/31/2027	$ 501,797	$ -	3.686	1.502
United States Treasury	3.750	8/15/2027	$ 500,098	$ 18,750	3.743	1.544
United States Treasury	3.375	9/15/2027	$ 499,355	$ 16,875	3.421	1.627
United States Treasury	4.125	9/30/2027	$ 994,922	$ 41,250	4.239	1.659
United States Treasury	2.250	11/15/2027	$ 518,594	$ 11,250	1.740	1.808
United States Treasury	3.875	11/30/2027	$ 502,143	$ 19,375	3.780	1.827
United States Treasury	1.250	3/31/2028	$ 250,430	$ 3,125	1.224	2.177
United States Treasury	3.625	3/31/2028	$ 250,791	$ 9,063	3.555	2.123
United States Treasury	3.500	4/30/2028	$ 247,100	$ 8,750	3.759	2.208
United States Treasury	3.875	7/15/2028	$ 503,047	$ -	3.654	2.361
United States Treasury	4.875	10/31/2028	$ 254,648	$ 12,188	4.452	2.616
United States Treasury	4.375	11/30/2028	$ 509,941	$ 21,875	3.928	2.713
United States Treasury	0.875	1/15/2029	$ 548,584	$ 4,413	0.062	1.488
United States Treasury	4.250	2/28/2029	$ 500,059	$ 21,250	4.247	2.903
United States Treasury	4.125	3/31/2029	$ 490,195	$ 20,625	4.570	2.991

(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, 2025

Security Type/Description	Interest Rate %	Maturity Date	Invested (Cost)	Income Received	Book Yield % [1]	Duration (Years) [2]
U.S. Treasury Obligations						
(Continued)						
United States Treasury	2.375	5/15/2029	$ 529,023	$ 11,875	1.707	3.192
United States Treasury	4.000	7/31/2029	$ 1,005,117	$ 40,000	3.883	3.264
United States Treasury	3.625	8/31/2029	$ 504,805	$ 18,125	3.412	3.361
United States Treasury	3.875	7/31/2030	$ 502,832	$ -	3.749	4.104
United States Treasury	1.125	2/15/2031	$ 957,031	$ 11,250	1.594	4.87
United States Treasury	4.125	3/31/2031	$ 487,480	$ 20,625	4.548	4.642
United States Treasury	4.250	6/30/2031	$ 502,988	$ 21,250	4.149	4.877
United States Treasury	4.125	7/31/2031	$ 512,266	$ 20,625	3.720	4.874
United States Treasury	3.750	8/31/2031	$ 507,324	$ 18,750	3.511	4.995
United States Treasury	4.000	2/15/2034	$ 479,727	$ 20,000	4.514	6.774
United States Treasury	3.875	8/15/2034	$ 509,985	$ 19,375	3.632	7.149
Corporate Notes & Bonds						
Amazon.com Inc.	1.650	5/12/2028	$ 446,500	$ 8,250	4.520	2.279
Astrazeneca Finance LLC.	4.850	2/26/2029	$ 501,250	$ 24,250	4.791	2.815
Caterpillar Financial Services Corp.	1.450	5/15/2025	$ 513,395	$ 3,625	Matured/Sold	Matured/Sold
International Business Machines Corp.	3.500	5/15/2029	$ 542,330	$ 17,500	2.502	3.130
John Deere Capital Corp.	1.750	3/9/2027	$ 509,235	$ 8,750	1.427	1.154
Pepsico Inc.	2.625	7/29/2029	$ 516,665	$ 13,125	2.240	3.328
Target Corp.	3.375	4/15/2029	$ 544,385	$ 16,875	2.305	3.020
United Health Group Inc.	4.250	1/15/2029	$ 489,800	$ 21,250	4.728	2.741
Walmart Inc.	3.700	6/26/2028	$ 487,050	$ 18,500	4.373	2.242
Total				$ 860,607		

RECONCILIATION OF INCOME RECEIVED ABOVE TO INVESTMENT INCOME PER THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION	
Income received	$ 860,607
Less 2024 accrued interest receivable	(247,127)
Plus 2025 accrued interest receivable	247,413
Plus interest on demand deposit account, money market mutual funds, equity in cash management account and certificate of deposit	1,117,393
Investment income	$ 1,978,286

[1] At December 31, 2025 for securities held at that time.

[2] 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, 2025 and 2024

(With Independent Auditor's Report Thereon)

Arkansas Municipal League
Firefighters Supplemental Income Protection Plan

TABLE OF CONTENTS

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Plan Administrator and 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, 2025 and 2024, 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 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 **Plan** as of December 31, 2025 and 2024, 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.

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

Plan 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 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 these audits in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 League's ability to continue to operate the Plan 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 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.

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

Plan Administrator and Management
Arkansas Municipal League

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.

Landmark PLC

Little Rock, Arkansas
April 15, 2026

Financial Statements

Arkansas Municipal League
Firefighters Supplemental Income Protection Plan

Statements of Assets, Liabilities and Net Position – Modified Cash Basis
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,516,203	$ 1,524,371
Investments	1,545,747	1,208,828
TOTAL ASSETS	$ 3,061,950	$ 2,733,199
LIABILITIES AND NET POSITION		
Current Liabilities		
Unearned annual fees	$ 36,920	$ 55,240
Net Position	3,025,030	2,677,959
TOTAL LIABILITIES AND NET POSITION	$ 3,061,950	$ 2,733,199

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, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Annual fees	$ 69,540	$ 69,160
OPERATING EXPENDITURES		
Claims paid	14,367	-
Service fee	126,338	116,789
Reserve fee	6,916	7,360
Other	134	244
Total Operating Expenditures	147,755	124,393
Net Operating Loss	(78,215)	(55,233)
NONOPERATING REVENUES , NET		
Investment income, net	432,635	151,889
Investment fees	(7,349)	(7,246)
Total Nonoperating Revenues, Net	425,286	144,643
INCREASE IN NET POSITION	347,071	89,410
NET POSITION, BEGINNING OF YEAR	2,677,959	2,588,549
NET POSITION, END OF YEAR	$ 3,025,030	$ 2,677,959

See accompanying notes to financial statements.

Arkansas Municipal League
Firefighters Supplemental Income Protection Plan

Notes to the Financial Statements
December 31, 2025 and 2024

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 3,375 and 3,404 during the years ended December 31, 2025 and 2024, 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

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, 2025 and 2024, 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.

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:

	2025	2024
Demand deposit account	$ 718,376	$ 587,835
Equity in pooled cash management accounts	797,827	936,536
	$ 1,516,203	$ 1,524,371

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, 2025 and 2024, 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 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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments *(Continued)*
At December 31, the Plan's ownership interest in each pool is as follows:

	2025		2024	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Equity Securities				
Russell 3000 Account	$ 228,378	$ 1,375,238	$ 272,656	$ 1,401,726
Large Cap Growth Account	315,854	487,804	285,654	419,590
Wellington Management Accounts:				
Large Growth	193,880	298,467	169,048	280,770
International Quality Growth	172,214	189,248	107,784	144,505
Debt Securities				
Arkansas Bond Account	73,345	74,438	74,688	73,317
Stephens Opportunistic Account	109,071	109,856	5,891	5,949
Money Market Mutual Funds				
Arkansas Bond Account	4,285	4,285		
Stephens Opportunistic Account	265,864	265,864	84,889	84,889
Alternative Investments				
KKR Lending Partners, L.P.	5,669	5,669	9,192	9,192
Owl Rock Capital Corporation	177,187	144,586	199,026	198,296
	$ 1,545,747	$ 2,955,455	$ 1,208,828	$ 2,618,234

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 2nd 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 2025 and 2024 was 10% of annual premiums collected in the previous year, payable in March.

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 2025 and 2024 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.