



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2025 and 2024



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 6
<u>Basic Financial Statements</u>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 15
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 – 18
Schedule of Findings	19
Schedule of Prior Year Findings	20

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Accident and Health Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Risk Management Agency – Accident and Health Fund (a quasi-public organization) (the Fund), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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.

Substantial Doubt About the Fund's Ability to Continue as a Going Concern

As discussed in Note 1(i) to the financial statements, during 2025 the Fund's Board of Trustees completed its plan for the Fund to return all remaining assets to former members and discontinue operations of the Fund. The Fund has no plans to operate in the future which raises substantial doubt about the Fund's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer included on page 16, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on pages 17 and 18, dated June 29, 2026, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Accident and Health Fund (the Fund) presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

On January 1, 2013, the Fund converted its health insurance program from a self-funded program to a fully insured sponsored plan through Blue Cross Blue Shield of Louisiana. The financial statements for the year ended December 31, 2023 include only operations for dental coverage which the Fund insured. Effective July 1, 2023, the Fund discontinued all coverages provided. All members that were insured as of that date were transferred to an insured dental plan. After approval of the Louisiana Department of Insurance, the remaining funds were to be distributed to participating members by a formula determined by management. On May 31, 2024, approximately \$1 million were returned to members who had health coverage for the years 2008 through 2012 representing the 5 years prior to the discontinuation of the health insurance portion of the program. The remaining assets held by the Fund were distributed in the same manner during the third and fourth quarters of 2025. The distributions were allocated to 54 members based on amounts paid by each municipality to total premiums paid for the coverage period indicated. Due to the discontinuation of operations effective July 1, 2023 and the completion of all distributions in 2025, the Fund is no longer considered a going concern, has been fully liquidated as of December 31, 2025, and management has no intentions to operate the Fund in the future.

Financial Highlights

- The year ended December 31, 2025 represents the final year of financial activity for the Fund, as all remaining assets were distributed and the Fund had no remaining assets or liabilities at year-end. The assets of the Fund exceeded its liabilities by \$0, \$901,093 and \$1,879,205 as of December 31, 2025, 2024 and 2023, respectively.
- The Fund's assets totaled \$0, \$901,093, and \$1,880,805 at December 31, 2025, 2024, and 2023, respectively, which consisted primarily of cash and cash equivalents.
- The Fund reported premiums earned of \$36,784 during the year ended December 31, 2023. The Fund has no premiums earned as of December 31, 2025 and 2024, respectively.
- The Fund reported a decrease in net position of \$901,093, \$978,112, and \$2,847 during the years ended December 31, 2025, 2024, and 2023, respectively.
- The Fund returned excess premiums to member municipalities during the years ended December 31, 2025, 2024 and 2023, in the amount of \$892,366, \$999,654, and \$0, respectively.
- The Fund is no longer considered a going concern.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by the private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund.

All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine profitability, credit worthiness, and whether the Fund has successfully recovered all its costs through its premium and investment income.

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year.

These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in it. Net position (difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total assets	\$ -	\$ 901,093	\$ 1,880,805
Total liabilities	-	-	1,600
Net position	<u>\$ -</u>	<u>\$ 901,093</u>	<u>\$ 1,879,205</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

All of the Fund's assets were to be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets were \$0 at December 31, 2025 and consist primarily of cash and cash equivalents as of December 31, 2024 and 2023. Cash and cash equivalents decreased in both 2024 and 2025 as a result of distributions noted above. Total liabilities decreased to \$0 in 2024 as the fund was discontinued and all claims liabilities have been paid. There were no assets or liabilities at December 31, 2025.

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ -	\$ -	\$ 36,784
Operating expenses	<u>927,785</u>	<u>1,042,416</u>	<u>123,805</u>
Operating loss	(927,785)	(1,042,416)	(87,021)
Non-operating income	<u>26,692</u>	<u>64,304</u>	<u>84,174</u>
Change in net position	<u>\$ (901,093)</u>	<u>\$ (978,112)</u>	<u>\$ (2,847)</u>

The Fund experienced an excess of expenses over revenues in the amount of \$901,093, \$978,112, and \$2,847 during the years ended December 31, 2025, 2024, and 2023, respectively, resulting primarily from the discontinued operations of the fund. The excess expenses over revenues in 2024 is as a result of the fund beginning the process of winding down and paying out excess premiums to former members. The primary activity of the Fund during 2025 was the return of excess premiums to members as part of the final liquidation of the Fund. Claims expense incurred during the years ended December 31, 2025, 2024 and 2023 represented -0-%, -0-%, 157% of premium income, respectively. Decrease in operating revenues and operating expenses as a result of the discontinuation of the coverage of the Fund effective July 1, 2023.

The Board of Trustees have approved a plan to discontinue the activities of the Fund and to distribute the Fund's remaining assets to prior participants in 2025 and cease operating. Due to these circumstances, the Fund is no longer considered to be a going concern.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Accident and Health Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
Cash and cash equivalents (note 4)	\$ -	\$ 901,093
Total assets	<u>\$ -</u>	<u>\$ 901,093</u>
Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-
Net position, unrestricted	<u>-</u>	<u>901,093</u>
Total liabilities and net position	<u>\$ -</u>	<u>\$ 901,093</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ -	\$ -
Total operating revenues	<u>-</u>	<u>-</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	-	521
Service agent fees (note 2)	10,000	12,000
Administrative fees (note 2)	6,000	7,200
Professional fees	19,419	23,041
Premium refunds returned to members	<u>892,366</u>	<u>999,654</u>
Total operating expenses	<u>927,785</u>	<u>1,042,416</u>
<u>OPERATING LOSS</u>	(927,785)	(1,042,416)
<u>NON-OPERATING INCOME</u>		
Investment income, net (note 4)	<u>26,692</u>	<u>64,304</u>
<u>CHANGE IN NET POSITION</u>	(901,093)	(978,112)
NET POSITION - BEGINNING OF YEAR	<u>901,093</u>	<u>1,879,205</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 901,093</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from:		
Premium revenues, refunds	\$ -	\$ -
Cash paid to:		
Claims and claims expense	-	(521)
Return of excess premiums to former members	(892,366)	(999,654)
Other expenses	(35,419)	(43,841)
	<u>(927,785)</u>	<u>(1,044,016)</u>
Net cash used in operating activities		
	<u>(927,785)</u>	<u>(1,044,016)</u>
Cash flows from investing activities:		
Investment interest received	<u>26,692</u>	<u>64,304</u>
Net cash provided by investing activities	<u>26,692</u>	<u>64,304</u>
Net change in cash	(901,093)	(979,712)
Cash, beginning of year	<u>901,093</u>	<u>1,880,805</u>
Cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ 901,093</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (927,785)	\$ (1,042,416)
Adjustments to reconcile operating loss		
to net cash used in operating activities:		
Accrued expenses and unpaid claims liability	-	(1,600)
Net cash used in operating activities	<u><u>\$ (927,785)</u></u>	<u><u>\$ (1,044,016)</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of accident and health, workers' compensation, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The Accident and Health Fund's (the Fund) general objectives was to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies were established by the Board of the Fund after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Effective July 1, 2023, the Board of Trustees approved a Plan for the Fund to discontinue operations and to distribute the Fund's remaining assets to participants. All remaining members that were insured as of that date were transferred to an insured dental plan. Prior to 2013, The Fund offered health coverage to participating municipalities. The remaining funds were distributed to participating members by a formula determined by management.

On May 31, 2024, approximately \$1 million was paid to members as premium returned to members who had health coverage for the years 2008 through 2012. The distribution was allocated based on total premiums paid in for the coverage period to total premiums paid by all members. The remaining premiums were fully distributed in 2025, using a similar allocation methodology based on total premiums paid during the applicable coverage periods, completing the liquidation of the Fund. Disbursements were made to 54 member entities.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

The Fund pays LMA administrative fees as well as service agent fees to RMI for dental coverage (see note 2).

The various LMRMA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14 (as amended by GASB Statement No. 61).

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting*

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the balance sheet is not presented in a classified format.

(c) *Operating / Non-Operating Revenue and Expense*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses, which are ancillary to the Fund's statutory purpose, are classified as non-operating.

(d) *Net Position*

The Fund has implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; GASB Statement No. 63 provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources and also redefined the difference between total assets and total liabilities presented in the Statement of Net Position.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Premium Income and Accounts Receivable*

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to premiums are considered to be a change in estimate and are recognized in the year they become known.

(f) *Unpaid Claims Liability*

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. The carrying amount of liabilities for claims losses and claims expenses is presented at the estimated claims amounts in the financial statements. As of December 31, 2023 there is no longer any outstanding unpaid claims liability.

(g) *Cash and Cash Equivalents*

For the purposes of the statements of cash flows, cash includes amounts in demand deposit accounts with banks, and money markets and repurchase agreements, which are usually purchased with maturities of 90 days or less or are reinvested continuously.

(h) *Income Taxes*

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(i) *Going Concern*

As described in Note 1(a), the completion of the distribution plan during 2025 resulted in the full liquidation of the Fund as of December 31, 2025, at which date the Fund had no remaining assets or liabilities. Because the Fund has discontinued operations and management has no intention to operate the Fund in the future, substantial doubt exists about the Fund's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its unpaid claims liabilities, and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

RMI and LMA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fee incurred by the Fund for these services is as follows:

	<u>2025</u>	<u>2024</u>
Expenses and current fee structure:		
Service agent fees – RMI	<u>\$ 10,000</u>	<u>\$ 12,000</u>
Administrative fees – LMA	<u>\$ 6,000</u>	<u>\$ 7,200</u>

As of December 31, 2025 and 2024, there were no amounts included in accounts payable due to LMA or RMI.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

There were no claims and no related claims activity as of and during the years ended December 31, 2025 and minor run off related claims activity in 2024.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these funds shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund is in compliance with these revised provisions as of and during the years ended December 31, 2025 and 2024. All demand deposits are insured or collateralized by pledged securities held by an agent in the name of the Fund.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions.

Net investment income for the years ended December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest income	<u>\$ 26,692</u>	<u>\$ 64,304</u>

As of December 31, 2025 and 2024, the Fund had the following deposits:

	<u>2025 Estimated Fair Value</u>	<u>2024 Estimated Fair Value</u>
Cash and cash equivalents invested in LAMP	\$ -	\$ 866,759
Cash and cash equivalents	-	34,334
TOTAL	<u>\$ -</u>	<u>\$ 901,093</u>

For reporting purposes, cash and cash equivalents include cash on hand, demand deposits, unrestricted money market accounts, and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value.

There is a balance of \$0 and \$866,759 included in cash and cash equivalents on the statements of net position that is invested in the Louisiana Asset Management Pool (LAMP) for the years ended December 31, 2025 and 2024. LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS (continued)

The following facts are relevant for LAMP:

Credit risk: LAMP is rated AAAm by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 70 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 29 days as of December 31, 2024.

Foreign currency risk: Not applicable.

LAMP values its investments at fair value based on quoted market values. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares which approximates net asset value (NAV).

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and board of directors. LAMP is not registered with the SEC as an investment company.

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025

Agency Head Name: Barney Arceneaux

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by Agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees
Louisiana Municipal Risk Management Agency
Accident and Health Fund
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Municipal Risk Management Agency Accident and Health Fund (the Fund) which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

Purpose of this Report

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

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2025

Findings– Financial Statements

None reported.

**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND**

SCHEDULE OF PRIOR YEAR FINDINGS

Findings– Financial Statements

None reported.



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2025 and 2024



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 6
 <u>Basic Financial Statements</u>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 21
 <u>Required Supplementary Information</u>	
Schedule of Ten-Year Claims Development Information	22
 <u>Supplementary Information</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Schedule of Findings	26
Schedule of Prior Year Audit Findings	27

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Public Liability Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Risk Management Agency – Public Liability Fund (the Fund), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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 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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Public Liability Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2025 by \$7,527,403 compared to \$10,083,717 as of December 31, 2024, which is a 25% decrease from the previous year. The assets of the Fund exceeded its liabilities at December 31, 2024 by \$10,083,717 compared to \$14,068,830 as of December 31, 2023, which is a 28% decrease from the previous year.
- At December 31, 2025, the Fund's assets totaled \$28,981,450 which consisted primarily of cash and cash equivalents, investment securities primarily composed of direct and indirect investments in U.S. Government, corporate, and municipal debt obligations and accounts and notes receivable. At December 31, 2024 and 2023, the Fund's assets totaled \$30,951,503 and \$32,150,692, respectively, which consisted of the similar assets.
- The Fund reported earned premiums of \$13,707,923, \$12,333,689, and \$10,893,572 during the years ended December 31, 2025, 2024, and 2023, respectively.
- Net position decreased by \$2,556,314, \$3,985,113, and \$2,071,750 during the years ended December 31, 2025, 2024, and 2023 respectively, due primarily to unfavorable loss experience and adjustments of affiliated fee structures.
- At the end of the current fiscal year, the Fund's net position totaled \$7,527,403 or 35% of the Fund's liabilities.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods like those used by private sector. The Statements of Net Position include all the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). These statements also provide the basis for computing rate of return, evaluating the capital structure of the Fund, and assessing the liquidity and financial flexibility of the Fund. All the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability, and credit worthiness.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates. Changes in estimates, as well as the differences in actual results and estimated amounts, will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position because of the year's activities. These statements report the Net Position of the Fund and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total assets	\$ 28,981,450	\$ 30,951,503	\$ 32,150,692
Total liabilities	<u>21,454,047</u>	<u>20,867,786</u>	<u>18,081,862</u>
Net position	<u>\$ 7,527,403</u>	<u>\$ 10,083,717</u>	<u>\$ 14,068,830</u>

All the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets decreased approximately 6% from 2024 to 2025 primarily related to decreases in investments as a result of operating losses. Total assets decreased approximately 4% from 2023 to 2024 primarily related to decreases in cash and cash equivalents and in reinsurance receivable. Total liabilities increased approximately 2.8% from 2024 to 2025 due to the increase in the unpaid claims liability offset by the decrease in due to affiliates. Total liabilities increased approximately 15% from 2023 to 2024 due to the increase in the unpaid claims liability and amounts due to affiliates.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 13,707,923	\$ 12,333,689	\$ 10,893,572
Operating expenses	<u>17,922,037</u>	<u>17,218,381</u>	<u>14,219,452</u>
Operating loss	(4,214,114)	(4,884,692)	(3,325,880)
Non-operating income (loss)	<u>1,657,800</u>	<u>899,579</u>	<u>1,254,130</u>
Change in net position	<u>\$ (2,556,314)</u>	<u>\$ (3,985,113)</u>	<u>\$ (2,071,750)</u>

During the year ended December 31, 2025, the Fund reported premium income of \$13,707,923 and non-operating income of \$1,657,800. Premiums increased due to an increase in members and certain premium rate changes. Investment income during 2025 increased due to favorable changes in the values of the Fund's investment portfolio, which is consistent with the overall market for similar investments. The Fund reported total operating expenses of \$17,922,037 which consisted primarily of claims, reinsurance premiums to a related entity as well as a commercial reinsurer, and administrative and service agent fees. During 2024 and 2023, the Fund's Board of Trustees approved special transfers of \$2 million and \$1 million, respectively, to the Fund's affiliated insurer. The Fund did not have any special transfers in 2025 but did increase the reinsurance premiums.

During the year ended December 31, 2024, the Fund reported premium income of \$12,333,689 and non-operating income of \$899,579. Investment income during 2024 included favorable changes in the values of the Fund's investment portfolio, which is consistent with the overall market for similar investments. The Fund reported total operating expenses of \$17,218,381 which consisted primarily of claims, reinsurance premiums, reinsurance special transfer, and administrative and service agent fees.

The Fund's net position decreased by \$2,556,314, \$3,985,113 and \$2,071,750 during 2025, 2024, and 2023, respectively. See Statements of Revenues, Expenses and Changes in Net Position on page 8 of this report.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Public Liability Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,706,203	\$ 1,794,338
Investments (note 4)	21,589,484	25,019,778
Prepaid reinsurance	615,753	427,873
Accounts receivable, net	1,014,071	1,087,517
Reinsurance receivable (note 3)	792,717	1,037,086
Deductibles receivable	175,731	335,771
Accrued interest receivable	153,434	165,083
Note receivable from affiliate (note 2)	<u>934,057</u>	<u>1,084,057</u>
Total assets	<u>\$ 28,981,450</u>	<u>\$ 30,951,503</u>

LIABILITIES AND NET POSITION

Liabilities:		
Unpaid claims liability, net (note 3)	\$ 17,401,000	\$ 16,252,000
Unearned premiums	2,490,943	2,333,680
Accounts payable and accrued expenses	649,110	6,964
Due to affiliates - net (note 2)	<u>912,994</u>	<u>2,275,142</u>
Total liabilities	21,454,047	20,867,786
Net position	<u>7,527,403</u>	<u>10,083,717</u>
Total liabilities and net position	<u>\$ 28,981,450</u>	<u>\$ 30,951,503</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 13,707,923	\$ 12,333,689
Total operating revenues	<u>13,707,923</u>	<u>12,333,689</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	8,256,401	10,014,028
Reinsurance premiums (note 2, 5)	5,953,355	2,721,918
Reinsurance special transfer (note 2)	-	2,000,000
Administrative fees (note 2)	1,874,365	1,278,556
Service agent fees (note 2)	1,644,951	1,110,032
Miscellaneous	<u>192,965</u>	<u>93,847</u>
Total operating expenses	<u>17,922,037</u>	<u>17,218,381</u>
<u>OPERATING LOSS</u>	(4,214,114)	(4,884,692)
<u>NON-OPERATING INCOME</u>		
Investment income, net (note 4)	1,608,050	836,231
Interest income from affiliate (note 2)	49,750	63,348
Total non-operating income	<u>1,657,800</u>	<u>899,579</u>
<u>CHANGE IN NET POSITION</u>	<u>(2,556,314)</u>	<u>(3,985,113)</u>
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>10,083,717</u>	<u>14,068,830</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 7,527,403</u>	<u>\$ 10,083,717</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from:		
Premium revenue collected	\$ 13,938,632	\$ 12,358,853
Member deductibles and other recoverables collected	2,362,548	1,276,276
Reinsurance recoverable	3,733,687	1,437,216
Cash paid to:		
Suppliers of services	(199,929)	(93,840)
Claims and claims expenses	(10,855,675)	(11,620,032)
Service agents and management fees	(2,937,912)	(2,703,422)
Reinsurance premiums	(9,379,229)	(2,911,527)
Net cash used in operating activities	<u>(3,337,878)</u>	<u>(2,256,476)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(13,690,737)	(12,838,730)
Proceeds from sales and maturities of investments	17,806,613	12,960,395
Payments received on note receivable from affiliate	150,000	255,220
Interest income on note receivable from affiliate	49,750	63,348
Investment income received	934,117	928,805
Net cash provided by investing activities	<u>5,249,743</u>	<u>1,369,038</u>
Net change in cash and cash equivalents	1,911,865	(887,438)
Cash and cash equivalents at beginning of year	<u>1,794,338</u>	<u>2,681,776</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,706,203</u></u>	<u><u>\$ 1,794,338</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (4,214,114)	\$ (4,884,692)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in receivables, prepaids, and due from affiliates	1,390,849	2,545,307
Change in prepaid expense	(187,880)	(427,873)
Change in unpaid claims liability	1,149,000	1,572,000
Change in accounts payable and accrued expenses and unearned premiums	<u>(1,475,733)</u>	<u>(1,061,218)</u>
Net cash used in operating activities	<u><u>\$ (3,337,878)</u></u>	<u><u>\$ (2,256,476)</u></u>
Noncash investing activities		
Net change in fair value of investments	<u><u>\$ 968,323</u></u>	<u><u>\$ 139,458</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The LMRMA Public Liability Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate setting policies have been established by the Board of the Fund. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims. As of December 31, 2025 and 2024, there were 236 and 227 participating municipalities, respectively.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the LMRFA is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Public Liability Fund.

The various LMRMA and LMRFA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting*

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) *Operating/Non-Operating Revenue and Expense*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(d) *Investments*

Investments are reported at estimated fair value except for short term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in investment income. Investments include money market accounts, repurchase agreements, corporate and municipal bonds, U.S. Government Agency obligations, and U.S. Treasury securities and are held for long term purposes.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Premium Income and Receivables*

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

The Fund considers accounts receivable, reinsurance receivable, note receivable, and deductibles receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts or deductibles become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

(f) *Unpaid Claims Liability*

The Fund provides liability coverage to members for claims incurred during the benefit period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount, particularly for coverages such as public liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund includes unallocated loss adjustment expenses in its reserve valuation process.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements.

(g) *Statements of Cash Flows*

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *Excess Reinsurance*

The Fund uses excess reinsurance to reduce its exposure to large losses on insured events (see notes 2 and 5). Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be recovered from reinsurers.

(i) *Income Taxes*

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(j) *Use of Estimates*

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY TRANSACTIONS

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of premiums earned for the years ended December 31, 2025 and 2024, respectively. Additionally, beginning in 2022, the LMA administrative service agreement fee was amended to also include payment of the Fund's annual interest earnings. The respective percentages of the earned premiums as well as interest income are as follows:

	<u>2025</u>	<u>2024</u>
Expenses (and current fee structure):		
Administrative fee – LMA		
8.25% of earned premium in 2025 and		
4% of earned premium in 2024	\$ 1,130,904	\$ 493,348
Interest earnings	<u>743,461</u>	<u>785,208</u>
	<u>\$ 1,874,365</u>	<u>\$ 1,278,556</u>
Service agent - RMI		
12% of earned premium in 2025 and		
9% of earned premium in 2024	<u>\$ 1,644,951</u>	<u>\$ 1,110,032</u>
Reinsurance premium – LMRFA		
35% of earned premium in 2025 and		
16.55% of earned premium in 2024 *	<u>\$ 4,797,773</u>	<u>\$ 2,041,226</u>
Special Transfer - LMRFA **	<u>\$ -</u>	<u>\$ 2,000,000</u>
Reinsurance recoveries from LMRFA	<u>\$ 3,489,318</u>	<u>\$ 2,830,955</u>
Due (to) from affiliates:		
LMA	\$ (161,029)	\$ 132,132
RMI	(270,985)	17,258
LMRFA	<u>(480,980)</u>	<u>(2,424,532)</u>
	<u>\$ (912,994)</u>	<u>\$ (2,275,142)</u>

*Effective May of 2024, the Fund began to carry commercial reinsurance above the LMRFA. See Note 5 for additional information.

** During 2025 and 2024, the Fund's Board of Trustees approved special transfers of \$0 and \$2 million, respectively, to the Fund's affiliated insurer.

Also see Note 3 and 5 for additional reinsurance receivable balance with LMRFA and estimated future recoverable.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2021, the Fund and LMRMA Workers' Compensation Fund entered into an agreement with LMA to loan funds to LMA, a total of \$8 million, for the purpose of the purchase of an office building. The terms of the agreement dated December 20, 2021, require LMA to pay the Fund \$3 million and the LMRMA Workers' Compensation Fund \$5 million in principal with interest thereon at the initial rate per annum equal to the average yield on all of LMRMA investments as of December 31, 2021. LMA pledges the future administrative fees it receives from the Fund and the LMRMA Workers' Compensation Fund and the as payment for the principal and interest on this note. The administrative fee will include interest earnings of the funds not to exceed \$1.5 million per year. The note is also secured by a mortgage on the property purchased and was reduced by net proceeds from the sale of the prior LMA office building during 2022. The terms also state that the interest rate shall be adjusted on January 1 each year beginning on January 1, 2023, based on the average yield on all of LMRMA investments for the then immediately preceding 12 months.

Interest and principal are payable in annual installments beginning on the 20th of December 2022, and each year thereafter until paid, with the payments varying as interest rate varies. The note receivable balance to the Fund was \$934,057 and \$1,084,057 as of December 31, 2025 and 2024, respectively. Interest income recognized during 2025 and 2024 was \$49,750 and \$63,348, respectively, computed at an interest rate of 4.6% and 4.7%, respectively.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	\$ 38,230	\$ 29,652
Less: reinsurance recoverables	<u>21,978</u>	<u>14,972</u>
Liability for unpaid losses at beginning of year, net	<u>16,252</u>	<u>14,680</u>
Net incurred related to:		
Current year	9,006	8,044
Prior years	<u>(750)</u>	<u>1,970</u>
Total incurred	<u>8,256</u>	<u>10,014</u>
Net paid related to:		
Current year	1,315	1,882
Prior years	<u>5,792</u>	<u>6,560</u>
Total paid	<u>7,107</u>	<u>8,442</u>
Liability for unpaid losses at end of year, gross	35,692	38,230
Less: reinsurance recoverables (See Note 5)	<u>18,291</u>	<u>21,978</u>
Liability for unpaid losses at end of year, net	<u>\$ 17,401</u>	<u>\$ 16,252</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

In addition to the estimated unpaid claims recoverable from the Fund's reinsurer (LMRFA), there are \$792,717 and \$1,037,086 of paid claims which are receivable from the reinsurer at December 31, 2025 and 2024, respectively. See Note 5.

During 2025 the Fund experienced favorable development of prior year estimated loss reserves compared to unfavorable development in 2024. The 2025 favorable development is attributable to increases in claims settlements and claims management practices adjudicating claims more favorably compared to prior estimates. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2025 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2025, will not vary from the above estimates, and such difference could be significant.

The Fund's claims payable have been discounted as of December 31, 2025 and 2024, based on the Fund's anticipated payout patterns and discount rate assumption of 3.5%, which is intended to approximate the interest earnings over the reserve payout period. The effect of the reserve discounts was \$914,000 and \$1,025,000 at December 31, 2025 and 2024, respectively.

4. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution in question. In regard to deposits and investments, the Fund was in compliance with these revised provisions as of and during the years ended December 31, 2025 and 2024.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in other bond or debentures provided certain conditions are met regarding credit quality. Included in investments are money market accounts and repurchase agreements. The Fund's policy is to wire transfer cash as needed from investments to support disbursements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposit and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Fund's exposure to each type.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2025 and 2024:

<u>Investment Type</u>	<u>2025</u>		<u>2024</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
U.S. Government mortgage-backed securities	\$ 5,779,543	\$ 5,784,865	\$ 5,834,622	\$ 6,001,007
U.S. Agency debt obligations	4,790,270	4,851,862	7,871,684	8,371,303
U.S. Treasury bonds	7,243,359	7,278,707	5,177,086	5,420,227
Money market funds	329,466	329,466	230,859	230,859
Municipal bonds	651,840	657,730	2,987,902	3,067,349
Corporate bonds	<u>2,795,006</u>	<u>2,759,957</u>	<u>2,917,625</u>	<u>2,970,459</u>
TOTAL	<u>\$ 21,589,484</u>	<u>\$21,662,587</u>	<u>\$ 25,019,778</u>	<u>\$ 26,061,204</u>

The Fund's investments reflected a net unrealized loss at December 31, 2025 and 2024 of \$73,103 and \$1,041,426, respectively, which is attributed to the increases in the market interest rate environment which is further addressed below in Interest Rate Risk. Management expects to hold securities over a period sufficient for the interest rate related decline in fair value to recover and are not considered to be impaired.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

All of the Fund's investments with the exception of money market investments and corporate and municipal bonds, are backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Credit ratings as of December 31, 2025 and 2024 are as follows:

2025	Prime (1)	High-Grade (2)
Municipal bonds	\$ 651,840	\$ -
Corporate bonds	503,800	2,291,206
	<u>\$ 1,155,640</u>	<u>\$ 2,291,206</u>
2024	Prime (1)	High-Grade (2)
Municipal bonds	\$ 2,987,902	\$ -
Corporate bonds	492,315	2,425,310
	<u>\$ 3,480,217</u>	<u>\$ 2,425,310</u>

- (1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.
- (2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2025:

<u>INVESTMENT TYPE</u>	<u>INVESTMENT MATURITIES (in years)</u>				
	<u>Estimated Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater than 10</u>
U.S. Government agency debt obligations	\$ 4,790,270	\$ -	\$ 2,094,493	\$ 2,695,777	\$ -
U.S. Treasury bonds and notes	7,243,359	-	4,860,645	2,382,714	-
Municipal bonds	651,840	651,840	-	-	-
Corporate bonds	2,795,006	-	2,795,006	-	-
Money market funds	<u>329,466</u>	<u>329,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>15,809,941</u>	<u>\$ 981,306</u>	<u>\$ 9,750,144</u>	<u>\$ 5,078,491</u>	<u>\$ -</u>
U.S. Government mortgage- backed securities	<u>5,779,543</u>				
TOTAL	<u>\$21,589,484</u>				

Net investment income for the years ended December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 872,275	\$ 785,208
Realized losses – net	(232,548)	(88,435)
Unrealized gains arising during the year - net	<u>968,323</u>	<u>139,458</u>
	<u>\$ 1,608,050</u>	<u>\$ 836,231</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2025 and 2024:

December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 7,243,359	\$ -	\$ 7,243,359
U.S. Government mortgage-backed securities	-	5,779,543	5,779,543
U.S. Agency debt obligations	4,790,270	-	4,790,270
Money market funds	329,466	-	329,466
Municipal bonds	-	651,840	651,840
Corporate bonds	-	2,795,006	2,795,006
	<u>\$ 12,363,095</u>	<u>\$ 9,226,389</u>	<u>\$ 21,589,484</u>

December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 5,177,086	\$ -	\$ 5,177,086
U.S. Government mortgage-backed securities	-	5,834,622	5,834,622
U.S. Agency debt obligations	7,871,684	-	7,871,684
Money market funds	230,859	-	230,859
Municipal bonds	-	2,987,902	2,987,902
Corporate bonds	-	2,917,625	2,917,625
	<u>\$ 13,279,629</u>	<u>\$ 11,740,149</u>	<u>\$ 25,019,778</u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

The Fund and LMRFA represent a cooperative program for group funding and risk management of public liability claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants. LMRFA provides reinsurance to LMRMA Public Liability Fund with the following limits:

- Item I: \$5,000,000 annual aggregate in excess of 65% of earned premium
- Item II: Each and every loss in excess of \$100,000 in accident years prior to 2012 and \$150,000 for 2013 until May 14, 2024 and \$250,000 per claim through the current period.

Prior to 1993, Louisiana law limited the liability of the municipalities to \$500,000 per occurrence. During 1993, the Louisiana Supreme Court revoked this limit. The above "specific reinsurance limits" for the Public Liability Fund covers claims up to \$500,000. As of November 1, 1995, the statutory liability increased to \$750,000 from \$500,000. The Fund's coverage remains unchanged.

The following are condensed Statements of Net Position for LMRFA at December 31:

	<u>2025</u>	<u>2024</u>
Assets	\$ 60,005,174	\$ 57,131,413
Liabilities	<u>45,794,000</u>	<u>51,970,000</u>
Net Position	<u>\$ 14,211,174</u>	<u>\$ 5,161,413</u>

At December 31, 2025 and 2024, the Fund included approximately \$18 and \$22 million, respectively, as recoverable from LMRFA (included in the liabilities above) which reduced liabilities for anticipated losses (See Note 3). The Fund's financial statements have been prepared on the assumption LMRFA has financial resources to honor all of its financial obligations. Should LMRFA not be able to meet its financial obligations to the Fund, the Fund remains primarily obligated for the liabilities insured by LMRFA. Management continues to evaluate the amounts recoverable from LMRFA and believes the amounts are all recoverable.

Effective May 15, 2024, LMRFA purchased commercial reinsurance covering exposures incurred related to the Public Liability Fund covering losses in excess of \$500,000 and is limited to \$500,000 or \$1 million depending on member coverage. Included in the Fund's reinsurance premiums for the years ended December 31, 2025 and 2024 is approximately \$1,156,000 and \$681,000, respectively, of expense related to this policy.

6. CONTINGENCIES

The Fund is involved in various insurance-related claims and legal actions arising from the normal conduct of business. Management of the Fund establishes estimated liabilities for reported and unreported contingencies. The Fund believes the outcome of these proceedings is mitigated and will not have a material effect on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2025

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense (net of loss assumed by reinsurers on specific losses) incurred by the Fund as of the end of 2025 and as of the end of each of the last nine years. The table below does not include costs on estimated incurred claims related to unallocated loss adjustment expenses.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(in thousands)									
ENP and investment income	\$ 15,366	\$ 13,233	\$ 12,148	\$ 7,943	\$ 9,313	\$ 11,669	\$ 11,686	\$ 11,384	\$ 11,918	\$ 11,963
Operating costs unallocated	9,666	7,204	5,717	4,076	3,357	3,604	3,431	3,400	3,519	3,468
Estimated incurred claims and claims expense, end of policy year	11,032	9,848	8,734	5,790	5,012	6,269	5,988	5,617	5,266	7,127
Paid (cumulative) as of:										
End of policy year	1,315	1,882	1,191	904	615	851	642	687	643	719
One year later	-	3,611	3,565	2,294	1,747	1,665	2,088	1,954	1,688	2,293
Two years later	-	-	5,263	3,603	2,852	2,607	2,917	3,178	3,463	4,027
Three years later	-	-	-	4,380	3,664	3,187	3,934	3,927	3,960	5,290
Four years later	-	-	-	-	4,063	3,681	4,741	4,608	4,575	5,781
Five years later	-	-	-	-	-	3,825	4,925	5,219	5,077	6,195
Six years later	-	-	-	-	-	-	5,033	5,594	5,495	6,249
Seven years later	-	-	-	-	-	-	-	5,616	5,667	6,320
Eight years later	-	-	-	-	-	-	-	-	5,790	6,455
Nine years later	-	-	-	-	-	-	-	-	-	6,610
Estimated incurred claims and claims expense:										
End of policy year	11,032	9,848	8,734	5,790	5,012	6,269	5,988	5,617	5,266	7,127
One year later	-	9,732	9,850	6,085	5,086	4,729	5,691	6,108	5,231	6,914
Two years later	-	-	8,696	6,239	5,012	4,549	5,003	5,430	5,820	6,840
Three years later	-	-	-	5,658	5,160	4,374	5,103	5,223	5,346	7,148
Four years later	-	-	-	-	5,122	4,524	5,433	5,338	5,622	6,794
Five years later	-	-	-	-	-	4,272	5,569	5,690	5,772	6,827
Six years later	-	-	-	-	-	-	5,327	6,013	5,835	6,661
Seven years later	-	-	-	-	-	-	-	5,806	6,048	6,703
Eight years later	-	-	-	-	-	-	-	-	5,938	6,911
Nine years later	-	-	-	-	-	-	-	-	-	6,734
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(116)	(38)	(132)	110	(1,997)	(661)	189	672	(393)

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025

Agency Head Name: Barney Arceneaux

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2016, and applicable guidance published by the Louisiana Legislative Auditor.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees
Louisiana Municipal Risk Management Agency
Public Liability Fund
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Municipal Risk Management Agency Public Liability Fund (the Fund) which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2025

Findings – Financial Statement Audit

None reported.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Findings – Financial Statement Audit

None reported.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2025



LOUISIANA MUNICIPAL RESERVE FUND AGENCY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 6
<u>Basic Financial Statements</u>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 21
<u>Required Supplementary Information</u>	
Schedule of Ten-Year Claims Development Information	22
<u>Supplementary Information</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 – 25
Schedule of Findings	26
Schedule of Prior Year Audit Findings	27

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Reserve Fund Agency
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Reserve Fund Agency (the Fund), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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 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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



EisnerAmper LLP
www.eisneramper.com

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Reserve Fund Agency's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section. The Fund only reinsures risk of the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability and Workers' Compensation Funds which are related parties.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2025, by \$14,394,120 compared to \$5,161,413 as of December 31, 2024, which is a 179% increase from the previous year. This increase was driven by favorable development in loss reserves and increase in investment balance during the year. The assets of the Fund exceeded its liabilities at December 31, 2024 by \$5,161,413 compared to \$6,337,140 as of December 31, 2023, which is a 19% decrease from the previous year.
- At December 31, 2025, and 2024, the Fund's assets totaled \$60,188,120 and \$57,131,413, which consisted primarily of investment securities, including cash, direct and indirect investments in U.S. Government debt obligations, and corporate and municipal bonds. At December 31, 2023, the Fund's assets totaled \$51,963,280 which consisted of a similar make up to investments in prior years.
- The Fund reported gross earned premiums of \$7,691,067, \$3,828,610, and \$3,524,834 during the years ended December 31, 2025, 2024, and 2023, respectively. The change in the earned premium is a result of variations in premium income from both the Workers' Compensation Fund and the Public Liability Fund as a result of changes by management to the premium structure.
- During 2024, the Board of Trustees approved a special transfer paid from the two insured Funds in the amount of \$7 million.
- The Fund reported investment income of \$3,257,945, \$1,335,563, and \$1,993,765 during the years ended December 31, 2025, 2024 and 2023, respectively. The change in investment income or loss is attributed to fluctuations in the fair value in the investment portfolio based on overall market conditions.
- The Fund had an increase in net position of \$9,232,707, a decrease of \$1,175,727, and an increase in net position of \$598,723 during the years ended December 31, 2025, 2024, and 2023, respectively. During 2024 and 2023, the Fund received a special transfer of \$7 million and \$6 million, respectively, and had favorable investment market performance. During 2025, favorable development in loss reserves led to the increase in net position.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods like those used by private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statement of Revenues, Expenses, and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total assets	\$ 60,188,120	\$ 57,131,413	\$ 51,963,280
Total liabilities	<u>45,794,000</u>	<u>51,970,000</u>	<u>45,626,140</u>
Net position	<u>\$ 14,394,120</u>	<u>\$ 5,161,413</u>	<u>\$ 6,337,140</u>

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of Trustees. Total assets increased approximately 5.4% and 10% during the years ended December 31, 2025, and 2024, respectively, due to favorable investment market conditions. Liabilities decreased by approximately 12% during the year ended December 31, 2025, due to lower estimates of unpaid claims liability. Liabilities increased by approximately 14% from December 31, 2023 to 2024, due to higher estimates of unpaid claims liability. Net position increased approximately 179% from 2024 to 2025 and decreased approximately 19% from 2023 to 2024.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 7,691,067	\$ 10,828,610	\$ 9,524,834
Operating expenses	<u>1,716,305</u>	<u>13,339,900</u>	<u>10,919,876</u>
Operating income (loss)	5,974,762	(2,511,290)	(1,395,042)
Non-operating income	<u>3,257,945</u>	<u>1,335,563</u>	<u>1,993,765</u>
Change in net position	<u>\$ 9,232,707</u>	<u>\$ (1,175,727)</u>	<u>\$ 598,723</u>

During the years ended December 31, 2025, 2024, and 2023, the Fund reported premiums earned of \$7,691,067, \$3,828,610, and \$3,524,834, respectively. Additionally, during 2024 and 2023, the Fund recognized an additional \$7 million and \$6 million, respectively, for a special transfer from the Funds which are insured by the Fund. During the years ended December 31, 2025, 2024, and 2023, the Fund reported investment income of \$3,257,945, \$1,335,563 and \$1,993,765, respectively. Premiums earned vary based on the Worker's Compensation Fund and Public Liability Fund's underlying membership as well as related rates established by management.

The Fund reported total expenses of \$1,716,305, \$13,339,900, and \$10,919,876 as of December 31, 2025, 2024, and 2023 respectively, which consisted primarily of claims expense and reinsurance expense. The 2025 expenses reflect significant favorable development, while 2024 and 2023 expenses reflect unfavorable loss development emerging during each year. The Fund experienced operating income of \$5,974,762 and an increase in net position of \$9,232,707 during 2025. See the Statements of Revenues, Expenses, and Changes in Net Position on page 8 of this report.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Reserve Fund Agency, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,687,054	\$ 2,292,276
Investments (note 4)	54,121,485	46,966,361
Accrued interest receivable	440,163	369,613
Due from affiliates (note 2)	619,407	7,465,337
Reinsurance receivable	37,826	37,826
Prepaid expenses	282,185	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 60,188,120</u>	<u>\$ 57,131,413</u>

LIABILITIES AND NET POSITION

Liabilities:		
Unpaid claims liability (note 3)	<u>\$ 45,794,000</u>	<u>\$ 51,970,000</u>
Total liabilities	45,794,000	51,970,000
Net position, unrestricted	<u>14,394,120</u>	<u>5,161,413</u>
Total liabilities and net position	<u>\$ 60,188,120</u>	<u>\$ 57,131,413</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>OPERATING REVENUES</u>		
Premiums earned (note 2)	\$ 7,691,067	\$ 3,828,610
Reinsurance special transfer (note 2)	-	7,000,000
Total operating revenues	<u>7,691,067</u>	<u>10,828,610</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	175,627	12,404,495
Professional fees and other	105,235	106,960
Reinsurance premiums (note 5)	<u>1,435,443</u>	<u>828,445</u>
Total operating expenses	<u>1,716,305</u>	<u>13,339,900</u>
<u>OPERATING INCOME (LOSS)</u>	5,974,762	(2,511,290)
<u>NON-OPERATING INCOME</u>		
Investment income, net (note 4)	<u>3,257,945</u>	<u>1,335,563</u>
<u>CHANGE IN NET POSITION</u>	9,232,707	(1,175,727)
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>5,161,413</u>	<u>6,337,140</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 14,394,120</u>	<u>\$ 5,161,413</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY**STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from:		
Premium revenue collected	\$ 14,536,997	\$ 9,524,520
Reinsurance recoverable	-	\$ 350,118
Cash paid to:		
Suppliers of services	(204,474)	(119,100)
Claims and claims expenses	(6,351,627)	(6,436,439)
Reinsurance premiums	(1,618,389)	(828,445)
Net cash provided by operating activities	<u>6,362,507</u>	<u>2,490,654</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(29,022,448)	(29,314,369)
Proceeds from sales and maturities of investments	23,307,992	26,352,744
Investment income received	1,746,727	1,483,605
Net cash used in investing activities	<u>(3,967,729)</u>	<u>(1,478,020)</u>
Net change in cash and cash equivalents	2,394,778	1,012,634
Cash and cash equivalents at beginning of year	<u>2,292,276</u>	<u>1,279,642</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,687,054</u></u>	<u><u>\$ 2,292,276</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 5,974,762	\$ (2,511,290)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in receivables and due from affiliates	6,563,745	(1,341,916)
Change in unpaid claims liability	(6,176,000)	6,356,000
Change in accrued expenses	-	(12,140)
Net cash provided by operating activities	<u><u>\$ 6,362,507</u></u>	<u><u>\$ 2,490,654</u></u>
Noncash investing activities		
Net change in fair value of investments	<u><u>\$ 1,524,183</u></u>	<u><u>\$ 190,406</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Reserve Fund Agency (LMRFA or the Fund) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the Fund is vested in the Executive Board of LMA. LMRFA reinsures the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability Fund and Workers' Compensation.

LMRMA was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate setting policies have been established by the Board of LMRMA. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana. LMA acts as the administrator for LMRFA.

Risk Management, Inc. (RMI) is a third party service agent primarily for LMRMA insurance funds and LMRFA. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

The various LMRMA Funds, LMA, RMI, and LMRFA are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under GASB 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Accounting (continued)

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) Operating/Non-Operating Revenue and Expense

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(d) Investments

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at estimated fair value are included in investment income. Investments include money market accounts, U.S. Government Agency, U.S. Government Mortgage-Backed securities, treasury obligations, municipal obligations, and corporate obligations.

(e) Premium Income

Premium income of LMRFA is based on a percentage of LMRMA workers' compensation and public liability premiums (see note 2). Premiums are earned over the period of providing excess insurance coverage. Pursuant to the reinsurance agreements, the LMRMA Funds are responsible for all of LMRFA's claims servicing and administrative costs. Acquisition costs associated with new and renewal contracts are expensed when incurred.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Unpaid Claims Liability

The policy liabilities reinsured by the Fund are for claims incurred during the benefit period, regardless of when the claims are reported. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as public liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. The Fund also included unallocated loss adjustment expenses in its reserve valuation process.

A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expenses are presented at present value in the financial statements.

(g) Excess Reinsurance

The Fund uses excess reinsurance to reduce its exposure to large losses on insured events on certain Worker's Compensation and Public Liability claims. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

(h) Statements of Cash Flows

For the purpose of the statements of cash flows and statement of net position, cash includes cash held in demand deposit accounts with banks.

(i) Income Taxes

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

The Fund provides reinsurance coverage to the LMRMA Public Liability and Workers' Compensation Funds as further described in Note 5. The fees are based on earned premiums. The respective percentages of the earned premiums (EP) are as follows:

	2025		2024	
	Fee Basis	Amount	Fee Basis	Amount
Premium income:				
LMRMA:				
Public Liability	35.00% EP	\$ 4,797,773	16.55% EP	\$ 2,041,226
Workers' Compensation	45.00% EP	2,893,294	27.25% EP	1,787,384
		<u>\$ 7,691,067</u>		<u>\$ 3,828,610</u>
Special transfer:				
Public Liability		\$ -		\$ 2,000,000
Workers' Compensation		-		5,000,000
		<u>\$ -</u>		<u>\$ 7,000,000</u>
Due (to) from affiliates:				
LMRMA:				
Public Liability		\$ 480,980		\$ 2,424,532
Workers' Compensation		138,427		5,040,805
		<u>\$ 619,407</u>		<u>\$ 7,465,337</u>

As reflected in the table above, the Fund receives all of its revenue from LMRMA affiliated entities which are insured by the Fund. All of the management and administrative activities of the Fund are performed by affiliates and no separate fees are paid for these services. The Fund is dependent on these services from affiliates.

The Fund recognized special transfers from these affiliated entities for 2024 to improve the financial position of LMRFA. These special transfers were approved by the boards of LMRMA and LMRFA to be effective for 2024 and paid in 2025. These transfers are considered to be significant to the Fund's financial position. The Fund and the LMRMA entities that it insures are dependent on each other and the financial viability of each party to honor the financial obligations and insured risks between each entity.

The Fund participates in a cost sharing arrangement with its affiliated funds related to commercial reinsurance, as further described in Note 5.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	\$ 55,997	\$ 48,573
Less: Reinsurance recoverables	<u>4,027</u>	<u>2,959</u>
Liability for unpaid losses at beginning of year, net	<u>51,970</u>	<u>45,614</u>
Net incurred related to:		
Current year	4,677	7,440
Prior years	<u>(4,501)</u>	<u>4,964</u>
Total incurred	<u>176</u>	<u>12,404</u>
Net paid related to:		
Current year	-	264
Prior years	<u>6,352</u>	<u>5,784</u>
Total paid	<u>6,352</u>	<u>6,048</u>
Liability for unpaid losses at end of year, gross	49,925	55,997
Less: Reinsurance recoverables	<u>4,131</u>	<u>4,027</u>
Liability for unpaid losses at end of year, net	<u>\$ 45,794</u>	<u>\$ 51,970</u>

The above year end reserve liabilities were comprised coverage types from each of the following LMRMA Funds:

	<u>2025</u>	<u>2024</u>
	(Amounts in thousands)	
Workers' Compensation	\$ 27,503	\$ 29,992
Public Liability	<u>18,291</u>	<u>21,978</u>
	<u>\$ 45,794</u>	<u>\$ 51,970</u>

During 2025, the Fund experienced significant favorable development related to the assumed workers' compensation and public liability unpaid claims liabilities resulting from actual reported losses being lower than expected at the excess layer while in 2024 the reverse occurred. The liability for unpaid losses has been reduced in 2025 and 2024 for estimated amounts recoverable from commercial reinsurance policies on Workers' Compensation and the Public Liability Fund (see Note 5). In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2025, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2025, will not vary from the above estimates, and such differences could be significant.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

The Fund's claims payable have been discounted for December 31, 2025 and 2024, based on the Fund's anticipated payout patterns and discount rate assumption of 3.5%, which is intended to approximate the interest earnings over the reserve payout period. The effect of the reserve discounts was \$13,331,000 and \$15,018,000 at December 31, 2025 and 2024, respectively.

4. DEPOSITS AND INVESTMENTS

LMRFA must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2025 and 2024.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in other bonds or debentures provided certain conditions are met regarding credit quality. Included in investments are certificates of deposit, money market accounts, and repurchase agreements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Fund's exposure to each type.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2025 and 2024:

<u>Investment Type</u>	<u>2025</u>		<u>2024</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
U.S. Government mortgage-backed securities	\$ 11,938,073	\$ 11,929,870	\$ 10,137,056	\$ 10,422,579
U.S. Government agency debt obligations	15,125,725	15,439,954	15,210,990	16,198,235
U.S. Treasury bonds and notes	18,784,150	18,801,315	10,964,538	11,305,314
Municipal bonds	1,872,959	1,863,706	4,746,842	4,832,877
Corporate bonds	5,892,496	5,858,527	5,092,058	5,196,631
Money market funds	508,082	508,082	814,877	814,877
TOTAL	<u>\$ 54,121,485</u>	<u>\$ 54,401,454</u>	<u>\$ 46,966,361</u>	<u>\$ 48,770,513</u>

The Fund's investments reflected a net unrealized loss at December 31, 2025 and 2024 of \$279,969 and \$1,804,152, respectively which is attributed to the changes in the market interest rate environment which is further addressed below in Interest Rate Risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government, municipal and corporate debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

All of the Fund's investments, with the exception of money market investments, and corporate and municipal bonds, are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Credit ratings as of December 31, 2025 and 2024 are as follows:

<u>2025</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 1,083,892	\$ 789,067
Corporate bonds	1,007,600	4,884,896
	<u>\$ 2,091,492</u>	<u>\$ 5,673,963</u>
 <u>2024</u>	 <u>Prime (1)</u>	 <u>High-Grade (2)</u>
Municipal bonds	\$ 3,432,858	\$ 1,313,984
Corporate bonds	984,630	4,107,428
	<u>\$ 4,417,488</u>	<u>\$ 5,421,412</u>

- (1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.
- (2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2025:

<u>INVESTMENT TYPE</u>	<u>INVESTMENT MATURITIES (in years)</u>				
	<u>Estimated Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater than 10</u>
U.S. Government agency debt obligations	\$ 15,125,725	\$ -	\$ 8,670,573	\$ 6,455,152	\$ -
U.S. Treasury bonds and notes	18,784,150	1,661,200	10,070,324	7,052,626	-
Municipal bonds	1,872,959	748,813	1,124,146	-	-
Corporate bonds	5,892,496	1,374,954	4,517,542	-	-
Money market funds	508,082	508,082	-	-	-
	<u>\$ 42,183,412</u>	<u>\$ 4,293,049</u>	<u>\$ 24,382,585</u>	<u>\$ 13,507,778</u>	<u>\$ -</u>
U.S. Government Mortgage- backed Securities	<u>11,938,073</u>				
Total	<u>\$ 54,121,485</u>				

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities consist of pools of mortgages and other loans comprising these securities and have continuous repayments with varying repayment patterns, which are generally viewed to mitigate exposure to interest rate risk.

Net investment income for the years ended December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 1,774,618	\$ 1,376,412
Net realized losses – net	(40,856)	(231,255)
Unrealized gains arising during the year	1,524,183	190,406
	<u>\$ 3,257,945</u>	<u>\$ 1,335,563</u>

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2025 and 2024:

December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 18,784,150	\$ -	\$ 18,784,150
U.S. Government mortgage- backed securities	-	11,938,073	11,938,073
U.S. Agency debt obligations	15,125,725	-	15,125,725
Municipals bonds	-	1,872,959	1,872,959
Corporate bonds	-	5,892,496	5,892,496
Treasury bills/money market funds	508,082	-	508,082
	<u>\$ 34,417,957</u>	<u>\$ 19,703,528</u>	<u>\$ 54,121,485</u>

December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 10,964,538	\$ -	\$ 10,964,538
U.S. Government mortgage- backed securities	-	10,137,056	10,137,056
U.S. Agency debt obligations	15,210,990	-	15,210,990
Municipals bonds	-	4,746,842	4,746,842
Corporate bonds	-	5,092,058	5,092,058
Treasury bills/money market funds	814,877	-	814,877
	<u>\$ 26,990,405</u>	<u>\$ 19,975,956</u>	<u>\$ 46,966,361</u>

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

LMRMA and LMRFA represent a cooperative program for group funding and risk management of public liability and workers' compensation of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants.

Ceded:

LMRFA obtained commercial reinsurance to cover a portion of workers' compensation medical losses for the periods January 1, 1995, through December 31, 2001, which were subsequently commuted.

A summary of recent and active workers' compensation commercial reinsurance policies is below:

Period Covered	Fund Retention	Aggregate Limit	Per Occurrence Limit
3/5/2018-12/31/2018	\$ 400,000	\$ 4,050,000	50% of \$1 million
1/1/2019-12/31/2019	400,000	5,370,000	50% of \$2 million
1/1/2020-12/31/2020	400,000	5,625,000	50% of \$2 million
1/1/2021-12/31/2021	400,000	5,840,000	50% of \$2 million
1/1/2022-12/31/2022	400,000	6,270,000	50% of \$2 million
3/1/2023-12/31/2023	500,000	3,000,000	\$750,000
3/1/2024-12/31/2024	500,000	3,000,000	\$750,000
3/1/2025-12/31/2025	500,000	3,000,000	\$1,250,000

Ceded:

A summary of recent public liability commercial reinsurance policies is below:

Period Covered	Fund Retention	Aggregate Limit	Per Occurrence Limit
5/15/2024- 05/15/2026	\$ 500,000	\$ 5,000,000	\$ 500,000

The Fund has entered into an informal cost sharing arrangements with its affiliated funds to cover the costs of a portion of the above described commercial reinsurance. The total expense of third party reinsurance to the program for the years ended December 31, 2025 and 2024 was \$2,591,443 and \$1,657,274, respectively. Reinsurance expense of the Fund included in the accompanying financial statements was \$1,435,443 and \$828,445 for the years ended December 31, 2025 and 2024, respectively, which is net of the cost sharing reimbursement from the affiliated funds. During 2025 and 2024, claims reimbursements of \$0 and \$387,944, respectively, have been recognized for amounts related to reinsurance policies. As of December 31, 2025 and 2024, unpaid claims liabilities have been reduced by estimated reinsurance recoverables as described in Note 3.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE (continued)

Assumed:

LMRFA provided excess reinsurance to LMRMA's Workers' Compensation and Public Liability Funds. The risks assumed have been periodically adjusted by the parties and included the following coverage limits for the years ended December 31, 2025 and 2024.

Workers' Compensation Fund

- Item I: \$2,000,000 annual aggregate in excess of 80% of earned premium
- Item II: \$2,000,000 each and every loss in excess of \$175,000 each and every loss in accident years prior to 2012 and \$250,000 for 2012 and future years.

Public Liability Fund

- Item I: \$5,000,000 annual aggregate in excess of 65% of earned premium
- Item II: Each and every loss in excess of \$100,000 each and every loss in accident years prior to 2012 and \$150,000 for 2013 until May 14, 2024 and \$250,000 per claim through the current period.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

DECEMBER 31, 2025

(Unaudited)

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense incurred by the Fund as of the end of 2025 and as of the end of each of the last nine years.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(in thousands)									
ENP and investment income	\$ 10,949	\$ 12,164	\$ 11,519	\$ 195	\$ 2,613	\$ 6,497	\$ 6,581	\$ 4,697	\$ 5,216	\$ 5,311
Operating costs, unallocated	1,541	935	925	1,226	1,130	1,327	1,235	1,429	82	86
Estimated incurred claims and expense, end of policy year	7,411	11,088	8,384	5,267	3,842	4,822	4,261	4,642	6,012	7,038
Paid (cumulative) as of:										
End of policy year	-	264	59	-	-	61	-	81	334	-
One year later	-	361	1,010	314	78	1,084	136	505	783	138
Two years later	-	-	2,695	848	715	1,101	175	722	1,737	1,418
Three years later	-	-	-	1,794	1,100	1,350	412	1,011	1,816	1,884
Four years later	-	-	-	-	1,728	2,014	764	1,921	480	2,247
Five years later	-	-	-	-	-	2,080	1,086	3,026	2,477	437
Six years later	-	-	-	-	-	-	1,240	3,336	3,446	2,514
Seven years later	-	-	-	-	-	-	-	3,577	3,844	2,626
Eight years later	-	-	-	-	-	-	-	-	4,101	3,057
Nine years later	-	-	-	-	-	-	-	-	-	3,158
Estimated incurred claims and claims expense:										
End of policy year	7,411	11,088	8,384	5,267	3,842	4,822	4,261	4,642	6,012	7,038
One year later	-	7,420	14,044	5,164	4,265	4,210	3,581	5,111	5,018	6,454
Two years later	-	-	10,893	5,605	4,364	5,024	3,498	4,491	5,449	5,080
Three years later	-	-	-	4,463	4,707	4,490	3,469	4,757	4,769	4,802
Four years later	-	-	-	-	3,117	4,861	4,421	4,891	5,730	4,831
Five years later	-	-	-	-	-	3,999	5,009	5,810	6,871	4,688
Six years later	-	-	-	-	-	-	4,036	6,034	6,717	5,162
Seven years later	-	-	-	-	-	-	-	5,857	6,905	5,365
Eight years later	-	-	-	-	-	-	-	-	6,772	5,351
Nine years later	-	-	-	-	-	-	-	-	-	4,776
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(3,668)	2,509	(804)	(725)	(823)	(225)	1,215	760	(2,262)

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025

Agency Head Name: Barney Arceneaux

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees
Louisiana Municipal Reserve Fund Agency
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Municipal Reserve Fund Agency (the Fund) which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2025

Findings – Financial Statements

None reported.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2024

Findings – Financial Statements

None reported.



LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2025 and 2024



LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4 – 6
<u>BASIC FINANCIAL STATEMENTS</u>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 16
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	17
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 – 19
Schedule of Findings	20
Schedule of Prior Year Findings	21

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Association
Unemployment Compensation Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Louisiana Municipal Association - Unemployment Compensation Fund (a quasi-public organization) (the Fund), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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 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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2025 and 2024 financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer included on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 29, 2026, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters which appears on pages 18 and 19. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Association - Unemployment Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2025 by \$6,153,347 compared to \$5,591,355 at December 31, 2024, which is approximately a 10.05% increase from the previous year. The assets of the Fund exceeded its liabilities at December 31, 2024 by \$5,591,355 compared to \$5,219,366 at December 31, 2023, which is approximately a 7.1% increase from the previous year.
- At December 31, 2025, 2024, and 2023, the Fund's assets totaled \$6,544,137, \$6,003,739, and \$5,645,144, respectively, which consisted primarily of cash and investments.
- The Fund reported premiums earned of \$423,680, \$442,911, and \$426,434, during the years ended December 31, 2025, 2024, and 2023, respectively. Change in net position was an increase of \$561,992, \$371,989 and \$377,141 in 2025, 2024 and 2023, respectively.
- The Fund reported investment income of \$379,706, \$164,011 and \$223,941 during the years ended December 31, 2025, 2024, and 2023, respectively. The investment gains and losses are attributed primarily to fluctuations in market values of the investment portfolio.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Position includes all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). These statements provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in them. The net position (difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total assets	\$ 6,544,137	\$ 6,003,739	\$ 5,645,144
Total liabilities	<u>390,790</u>	<u>412,384</u>	<u>425,778</u>
Net position	<u>\$ 6,153,347</u>	<u>\$ 5,591,355</u>	<u>\$ 5,219,366</u>

The Fund's total assets consist almost entirely of investments in U.S. Treasury and U.S. Agency securities and cash equivalents. The Fund's liabilities consist of estimated benefits and related administration costs payable at year end.

LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 423,680	\$ 442,911	\$ 426,434
Operating expenses	<u>241,394</u>	<u>234,933</u>	<u>273,234</u>
Operating income	182,286	207,978	153,200
Non-operating income	<u>379,706</u>	<u>164,011</u>	<u>223,941</u>
Change in net position	<u>\$ 561,992</u>	<u>\$ 371,989</u>	<u>\$ 377,141</u>

Operating revenues decreased approximately 4% from the year ended December 31, 2024 to 2025 and increased approximately 4% from the year ended December 31, 2023 to 2024. Claims expense increased approximately 16% from 2024 to 2025 and decreased by approximately 21% from the year ended December 31, 2023 to 2024 as a result of a fluctuations in unemployment claims incurred. Due to the slight decrease in revenues offset by the increase in investment income, the Fund's net position for 2025 increased by \$561,992.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Association – Unemployment Compensation Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents (note 3)	\$ 325,936	\$ 340,508
Investments (note 3)	6,063,325	5,498,895
Accounts receivable	110,755	129,693
Accrued interest receivable	<u>44,121</u>	<u>34,643</u>
 Total Assets	 <u><u>\$ 6,544,137</u></u>	 <u><u>\$ 6,003,739</u></u>
Liabilities		
Unpaid claims liability (note 4)	\$ 350,000	\$ 350,000
Accrued expenses	<u>40,790</u>	<u>62,384</u>
 Total Liabilities	 390,790	 412,384
 Net position, unrestricted	 <u>6,153,347</u>	 <u>5,591,355</u>
 Total liabilities and net position	 <u><u>\$ 6,544,137</u></u>	 <u><u>\$ 6,003,739</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 423,680	\$ 442,911
Total operating revenues	<u>423,680</u>	<u>442,911</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 4)	177,386	153,152
Service agent fees	36,730	48,892
Miscellaneous	27,278	32,889
Total operating expenses	<u>241,394</u>	<u>234,933</u>
<u>OPERATING INCOME</u>	182,286	207,978
<u>NON-OPERATING INCOME</u>		
Investment income - net	<u>379,706</u>	<u>164,011</u>
<u>CHANGE IN NET POSITION</u>	561,992	371,989
NET POSITION - BEGINNING OF YEAR	<u>5,591,355</u>	<u>5,219,366</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,153,347</u></u>	<u><u>\$ 5,591,355</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from:		
Premium revenues	\$ 442,618	\$ 401,129
Cash paid to:		
Claims and claims expenses	(177,386)	(153,152)
Other expenses	<u>(85,602)</u>	<u>(72,579)</u>
Net cash provided by operating activities	<u>179,630</u>	<u>175,398</u>
Cash flows from investing activities:		
Purchases of investments	(3,295,762)	(3,120,649)
Proceeds from sale or maturity of investments	2,905,487	2,748,371
Investment income received	<u>196,073</u>	<u>173,362</u>
Net cash used in investing activities	<u>(194,202)</u>	<u>(198,916)</u>
Net change in cash	(14,572)	(23,518)
Cash, beginning of year	<u>340,508</u>	<u>364,026</u>
Cash, end of year	<u><u>\$ 325,936</u></u>	<u><u>\$ 340,508</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	182,286	207,978
Adjustments to reconcile operating income to net cash provided by operating activities:		
Accounts receivable	18,938	(19,186)
Accrued expenses and unpaid claims liability	<u>(21,594)</u>	<u>(13,394)</u>
Net cash provided by operating activities	<u><u>\$ 179,630</u></u>	<u><u>\$ 175,398</u></u>
Noncash investing activities		
Net change in fair value of investments	<u><u>\$ 202,292</u></u>	<u><u>\$ 5,796</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) *Background and Financial Statement Presentation*

Louisiana Municipal Association - Unemployment Compensation Fund (the Fund) was formed under Louisiana Revised Statutes 23:1552. The Fund consists of Louisiana municipalities who have joined together through self-insurance agreements to provide unemployment compensation fund insurance to member municipalities. Administration of the Fund is vested in the Executive Board of the Louisiana Municipal Association (LMA). If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

LMA is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third-party service agent primarily for insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

As of December 31, 2025, there were approximately 5,900 participants and 142 participating municipalities. As of December 31, 2024, there were approximately 5,800 participants and 146 participating municipalities.

The Fund and LMA are affiliated through common membership and management control. Although both of these entities are related parties, their net position is available only to the respective entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14 (as amended by GASB Statement No. 61).

(b) *Basis of Accounting*

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting* (continued)

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) *Operating / Non-operating Revenues and Expenses*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(d) *Cash and Cash Equivalents*

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more or are reinvested continuously, they are classified as investments.

(e) *Investments*

Investments are reported at estimated fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in net investment income. Investments include money market accounts, U.S. Government and Agency obligations, corporate and municipal bonds, and U.S. Treasury securities.

(f) *Unpaid Claims Liability*

Claims expense consists of estimated amounts for claims incurred during the current year and adjustments to the estimates of prior years' claims liability. These changes are reflected in operations in the period they become known. The Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported, but not yet settled.

(g) *Income Taxes*

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(h) *Premium Income and Accounts Receivable*

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to premiums are considered to be a change in estimate and are recognized in the period they become known.

The Fund considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(j) *Reclassification*

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation.

2. RELATED PARTY TRANSACTIONS

RMI and LMA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fee incurred by the Fund for these services is as follows:

	<u>2025</u>	<u>2024</u>
Expenses and current fee structure:		
Service agent fees – RMI	<u>\$ 36,730</u>	<u>\$ 48,892</u>
Administrative fees – LMA	<u>\$ 4,364</u>	<u>\$ 7,296</u>

As of December 31, 2025 and 2024, there were no amounts included in accounts payable due to LMA or RMI.

3. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund is in compliance with these revised provisions during the years ended December 31, 2025 and 2024.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in other bonds or debentures provided certain conditions are met regarding credit quality. Included in investments are money market accounts and repurchase agreements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (continued)

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31:

Investment Type	2025		2024	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Treasury bonds and notes	\$ 2,876,678	\$ 2,901,000	\$ 1,740,485	\$ 1,835,798
U.S. Government mortgage- backed securities	1,106,056	1,105,995	1,057,599	1,087,560
U.S. Agency debt obligations	1,159,799	1,171,830	1,524,489	1,615,697
Money market funds	149,598	149,598	271,643	271,643
Corporate bonds	618,569	613,235	534,619	542,866
Municipal bonds	152,625	151,512	370,060	377,468
TOTAL	<u>\$ 6,063,325</u>	<u>\$ 6,093,170</u>	<u>\$ 5,498,895</u>	<u>\$ 5,731,032</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government, municipal, and corporate debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a good tool with which to assess credit risk on debt obligations. U.S. Government debt securities are not required to be rated.

All of the Fund's investments with the exception of money market investments, and corporate and municipal bonds, are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (continued)

Credit Risk (continued)

Credit ratings as of December 31, 2025 and 2024 are as follows:

<u>2025</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 49,479	\$ 103,146
Corporate bonds	100,760	517,809
	<u>\$ 150,239</u>	<u>\$ 620,955</u>
 <u>2024</u>	 <u>Prime (1)</u>	 <u>High-Grade (2)</u>
Municipal bonds	\$ 268,948	\$ 101,112
Corporate bonds	98,463	436,156
	<u>\$ 367,411</u>	<u>\$ 537,268</u>

- (1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.
(2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2025:

	<u>Estimated Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 – 5 Years</u>	<u>5 – 10 Years</u>	<u>Over 10 Years</u>
U.S. Treasury bonds and notes	\$ 2,876,678	\$ 258,709	\$ 1,581,251	\$ 1,036,718	\$ -
U.S. Agency debt obligations	1,159,799	49,770	682,715	427,314	-
Money market funds	149,598	149,598	-	-	-
Municipal bonds	152,625	49,479	103,146	-	-
Corporate bonds	618,569	122,764	495,805	-	-
	<u>4,957,269</u>	<u>\$ 630,320</u>	<u>\$ 2,862,917</u>	<u>\$ 1,464,032</u>	<u>\$ -</u>
 U.S. Government mortgage- backed securities	 <u>1,106,056</u>				
 TOTAL	 <u>\$ 6,063,325</u>				

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

Investment income for the years ended December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 211,876	\$ 173,123
Net realized loss	(34,462)	(14,908)
Unrealized net gain arising during the year	<u>202,292</u>	<u>5,796</u>
	<u>\$ 379,706</u>	<u>\$ 164,011</u>

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2025 and 2024:

December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 2,876,678	\$ -	\$ 2,876,678
U.S. Government mortgage- backed securities	-	1,106,056	1,106,056
U.S. Agency debt obligations	1,159,799	-	1,159,799
Money market funds	149,598	-	149,598
Corporate bonds	-	618,569	618,569
Municipal bonds	-	152,625	152,625
	<u>\$ 4,186,075</u>	<u>\$ 1,877,250</u>	<u>\$ 6,063,325</u>

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (continued)

Fair Value (continued)

December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 1,740,485	\$ -	\$ 1,740,485
U.S. Government mortgage- backed securities	-	1,057,599	1,057,599
U.S. Agency debt obligations	1,524,489	-	1,524,489
Money market funds	271,643	-	271,643
Corporate bonds	-	534,619	534,619
Municipal bonds	-	370,060	370,060
	<u>\$ 3,536,617</u>	<u>\$ 1,962,278</u>	<u>\$ 5,498,895</u>

4. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liability for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Unpaid claims and claims adjustment expenses liability at beginning of year	<u>\$ 350</u>	<u>\$ 350</u>
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current year	<u>177</u>	<u>153</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of current year	177	153
Claims and claim adjustment expenses attributable to insured events of prior years	<u>-</u>	<u>-</u>
Total payments	<u>177</u>	<u>153</u>
Total unpaid claims and claims adjustment expenses liability at end of year	<u>\$ 350</u>	<u>\$ 350</u>

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025

Agency Head Name: Barney Arceneaux

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by Agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees
Louisiana Municipal Association
Unemployment Compensation Fund
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Municipal Association – Unemployment Compensation Fund (the Fund), which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026



LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

SCHEDULE OF FINDINGS AND RESPONSES

Schedule of Current Year Findings – Financial Statements

No findings noted

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

SCHEDULE OF FINDINGS AND RESPONSES

Schedule of Prior Year Findings – Financial Statements

No findings noted



LOUISIANA MUNICIPAL RISK MANAGEMENT
AGENCY
WORKERS' COMPENSATION FUND
FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024



**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 6
<u>Basic Financial Statements</u>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 19
<u>Required Supplementary Information</u>	
Schedule of Ten-Year Claims Development Information	20
<u>Supplementary Information</u>	
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer	21
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 – 23
Schedule of Findings	24
Schedule of Prior Year Audit Findings	25

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Workers' Compensation Fund
Baton Rouge, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund (the Fund), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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 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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the schedule of ten-year claims development on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of compensation, benefits and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

EisnerAmper LLP

EisnerAmper LLP
Baton Rouge, Louisiana
June 29, 2026



EisnerAmper LLP
www.eisneramper.com

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - WORKERS' COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2025 by \$10,579,212 compared to \$11,728,992 as of December 31, 2024, which is a 9.8% decrease over the previous year. The assets of the Fund exceeded its liabilities at December 31, 2024 by \$11,728,992 compared to \$17,518,470 as of December 31, 2023, which is a 33.05% decrease over the previous year.
- At December 31, 2025, the Fund's assets totaled \$25,527,589 which consisted primarily of cash and cash equivalents, investment securities primarily composed of direct and indirect investments in U.S. Government debt obligations, corporate and municipal bonds, amounts and notes due from affiliates, and receivables. At December 31, 2024 and 2023, the Fund's assets totaled \$31,425,080 and \$38,281,803 and consisted of the same composition as 2025.
- The Fund reported earned premiums of \$6,429,543, \$6,559,207, and \$6,319,075 during the years ended December 31, 2025, 2024, and 2023, respectively, and a decrease in net position of \$1,149,780, \$5,789,478, and \$4,029,402 during the years ended December 31, 2025, 2024, and 2023, respectively. The decrease during 2024 and 2023 was primarily related to the reinsurance special transfers to cover excess losses. The smaller decrease in 2025 was primarily attributable to the absence of special transfers during the year and increases in the market value of investments driven by favorable market conditions.
- At the end of the current fiscal year, the Fund's net position totaled \$10,579,212 or 71% of the Fund's liabilities. The Fund's premiums earned during 2025 were approximately 61% of its net position at December 31, 2025.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Position include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all of its costs through its premiums and investment income, profitability and credit worthiness. The final required basic financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - WORKERS' COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

The preparation of these basic financial statements requires the utilization of significant estimates. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net position of the Fund and changes in it. Net position (difference between assets, deferred outflows, deferred inflows, and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, the judicial environment, and new or changed government legislation.

Condensed Statements of Net Position at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total assets	\$ 25,527,589	\$ 31,425,080	\$ 38,281,803
Total liabilities	<u>14,948,377</u>	<u>19,696,088</u>	<u>20,763,333</u>
Net position	<u>\$ 10,579,212</u>	<u>\$ 11,728,992</u>	<u>\$ 17,518,470</u>

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. During 2025, total assets decreased approximately 18.8% due to a decrease in investments to fund operating cash outflows and total liabilities decreased approximately 24.1% mainly related to the decrease in due to affiliates including the special reinsurance transfer previously described. During 2024, total assets decreased approximately 17.9% due to a decrease in investments to fund operating cash outflows and total liabilities decreased approximately 5.1% mainly related to the decrease in unpaid claims liabilities. Net position decreased approximately 9.8% from 2024 to 2025 and decreased approximately 33% from 2023 to 2024.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - WORKERS' COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Fund (continued)

Condensed Statements of Revenues and Expenses and Changes in Net Position for the Years Ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 6,429,543	\$ 6,559,207	\$ 6,319,075
Operating expenses	<u>9,322,173</u>	<u>13,382,222</u>	<u>11,917,816</u>
Operating loss	(2,892,630)	(6,823,015)	(5,598,741)
Non-operating income (loss)	<u>1,742,850</u>	<u>1,033,537</u>	<u>1,569,339</u>
Change in net position	<u>\$ (1,149,780)</u>	<u>\$ (5,789,478)</u>	<u>\$ (4,029,402)</u>

During the year ended December 31, 2025, the Fund reported premiums earned of \$6,429,543 and investment income of \$1,742,850. Investment income during 2025 included favorable changes in the values of the Fund's investment portfolio, which is consistent with the overall market for similar investments. The Fund reported total operating expenses of \$9,322,173, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums. During each of the years ended December 31, 2024 and 2023, the Fund's Board of Trustees approved special transfers of \$5 million to the Fund's affiliated insurer to mitigate excessive losses assumed by the affiliated insurer.

During the year ended December 31, 2024, the Fund reported premiums earned of \$6,559,207 and investment income of \$1,033,537. Investment income during 2024 included favorable changes in the values of the Fund's investment portfolio, which is consistent with the overall market for similar investments. The Fund reported total operating expenses of \$13,382,222, which consisted primarily of claims, administrative and service agent fees, and excess insurance premiums.

The Fund's net position decreased during 2025, 2024, and 2023 by \$1,149,780, \$5,789,478, and \$4,029,402, respectively. See Statements of Revenues, Expenses and Changes in Net Position on page 8 of this report.

Financial Outlook

The Fund anticipates consistency in membership during the next fiscal year. Management emphasizes that the Fund's expenses are greatly impacted by claims losses and claims related expenses which are influenced by factors beyond management's control, including the rate of medical inflation, judicial rulings, and legislative changes.

Requests for Information

This financial report is designed to provide our members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,853,300	\$ 2,139,458
Investments (note 4)	19,655,690	25,007,610
Accounts receivable, net	1,507,913	1,403,229
Reinsurance receivable (note 3)	840,223	816,758
Accrued interest receivable	132,043	169,605
Note receivable from affiliate (note 2)	<u>1,538,420</u>	<u>1,888,420</u>
Total assets	<u>\$ 25,527,589</u>	<u>\$ 31,425,080</u>

LIABILITIES AND NET POSITION

Liabilities:		
Unpaid claims liability (note 3)	\$ 10,303,000	\$ 10,614,000
Unearned premiums	958,755	741,629
Due to affiliates (note 2)	113,720	4,279,028
Accounts payable and accrued expenses	<u>3,572,902</u>	<u>4,061,431</u>
Total liabilities	14,948,377	19,696,088
Net position, unrestricted	<u>10,579,212</u>	<u>11,728,992</u>
Total liabilities and net position	<u>\$ 25,527,589</u>	<u>\$ 31,425,080</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>OPERATING REVENUES</u>		
Premiums earned	\$ 6,429,543	\$ 6,559,207
Total operating revenues	<u>6,429,543</u>	<u>6,559,207</u>
<u>OPERATING EXPENSES</u>		
Claims expense (note 3)	3,918,087	4,017,601
Administrative fees (note 2)	1,560,232	1,185,444
Service agent fees (note 2)	707,250	590,329
Reinsurance premiums (note 2)	2,846,899	1,959,521
Reinsurance special transfer	-	5,000,000
Second Injury Fund assessment	114,769	329,863
Office of Workers' Compensation assessment	28,494	152,425
Other	<u>146,442</u>	<u>147,039</u>
Total operating expenses	<u>9,322,173</u>	<u>13,382,222</u>
<u>OPERATING LOSS</u>	(2,892,630)	(6,823,015)
<u>NON-OPERATING INCOME</u>		
Investment income, net (note 4)	1,657,116	923,807
Interest income from affiliate (note 2)	85,734	109,730
	<u>1,742,850</u>	<u>1,033,537</u>
<u>CHANGE IN NET POSITION</u>	<u>(1,149,780)</u>	<u>(5,789,478)</u>
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>11,728,992</u>	<u>17,518,470</u>
<u>NET POSITION - END OF YEAR</u>	<u><u>\$ 10,579,212</u></u>	<u><u>\$ 11,728,992</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from:		
Premium revenue collected	\$ 6,541,985	\$ 6,580,545
Member deductibles and other recoverables collected	1,114,505	704,861
Reinsurance recoverable	2,618,815	3,090,396
Cash paid to:		
Suppliers of services	(158,745)	(86,079)
Claims and claims expenses	(7,985,872)	(8,835,675)
Service agents and administrative fees	(2,396,297)	(2,197,041)
Reinsurance premiums and special transfers	(7,846,899)	(6,894,085)
Assessments, net	344,018	(431,937)
Net cash used in operating activities	<u>(7,768,490)</u>	<u>(8,069,015)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(16,510,433)	(16,809,279)
Proceeds from sales and maturities of investments	22,607,724	23,884,324
Payments received on note receivable from affiliate	350,000	444,780
Interest income on note receivable from affiliate	85,734	109,730
Investment income received	949,307	923,807
Net cash provided by investing activities	<u>7,482,332</u>	<u>8,553,362</u>
Net change in cash and cash equivalents	(286,158)	484,347
Cash and cash equivalents at beginning of year	<u>2,139,458</u>	<u>1,655,111</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,853,300</u></u>	<u><u>\$ 2,139,458</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (2,892,630)	\$ (6,823,015)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in receivables and reinsurance receivable	(128,149)	(191,097)
Change in unpaid claims liability	(311,000)	(656,000)
Change in accounts payable and accrued expenses and unearned premiums	<u>(4,436,711)</u>	<u>(398,903)</u>
Net cash used in operating activities	<u><u>\$ (7,768,490)</u></u>	<u><u>\$ (8,069,015)</u></u>
Noncash investing activities		
Net change in fair value of investments	<u><u>\$ 1,221,440</u></u>	<u><u>\$ 411,647</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the state of Louisiana are eligible to participate. The LMRMA-Workers' Compensation Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims. As of December 31, 2025 and 2024, there were 150 and 152 participating municipalities, respectively.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for LMRMA.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of LMRFA is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Workers' Compensation Fund.

The various LMRMA and LMRFA Funds, LMA, and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net positions are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14 (as amended by GASB Statement No. 61).

(b) Basis of Accounting

The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under GASB 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of Accounting* (continued)

The Fund is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Fund is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) *Operating / Non-Operating Revenue and Expenses*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating

(d) *Investments*

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in investment income. Investments include money market accounts, repurchase agreements, U.S. Government Agency obligations, corporate and municipal bonds, and U.S. Treasury securities.

(e) *Premium Income and Accounts Receivable*

Premiums are recognized as income over the term of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

The Fund determines past-due accounts based on contractual terms and does not charge interest on the accounts. The Fund charges off receivables if management considers the collection of the outstanding balance to be doubtful. At each of the years ended December 31, 2025 and 2024, the allowance for doubtful accounts totaled \$49,402.

(f) *Unpaid Claims Liability*

The Fund provides workers' compensation coverage to members for claims incurred during the policy period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Unpaid Claims Liability* (continued)

The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund also included unallocated loss adjustment expenses in its reserve valuation process.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements.

(g) *Statements of Cash Flows*

For the purposes of the statements of cash flows and statement of net position, cash includes cash held in demand deposit accounts with banks.

(h) *Excess Reinsurance and Other Reimbursements*

The Fund uses excess reinsurance agreements to reduce its exposure to large losses on insured events. (See notes 2 and 5). Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as the direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be recovered from reinsurers. Additionally, the Fund is reimbursed by the Second Injury Fund of the State of Louisiana for certain claims. Such reimbursable claims arise when a covered participant has returned to the workforce after experiencing a covered disability and is disabled for a second time with a similar injury.

(i) *Income Taxes*

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(j) *Insurance Related Assessments*

The Fund is subject to assessments made by the Louisiana Second Injury Fund and the Office of Workers' Compensation based on benefits paid each year. The Fund recognizes these assessments as expense when related claim benefits are incurred rather than paid. Changes in accruals for insurance related assessments are adjusted in the year assessment rate changes and claims estimates are made.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Use of Estimates*

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its unpaid claims liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees are based on earned premiums (EP) for the years ended December 31, 2025 and 2024. Beginning in 2023, the LMA administrative service agreement fee was amended to also include payment of the Fund's annual interest earnings. The respective percentages of the earned premiums as well as interest earnings are as follows:

	<u>2025</u>	<u>2024</u>
Expenses (and current fee structure):		
Administrative fees – LMA (12.50% of EP in 2025 and 5.00% of EP in 2024)	\$ 803,693	\$ 327,960
Interest earnings	756,539	857,484
	<u>\$ 1,560,232</u>	<u>\$ 1,185,444</u>
Service agent fees - RMI (11.00% of EP in 2025 and 9.00% of EP in 2024)	<u>\$ 707,250</u>	<u>\$ 590,329</u>
Reinsurance premium - LMRFA (45.00% of EP in 2025 and 27.25% of EP in 2024)	<u>\$ *2,893,294</u>	<u>\$ **1,787,384</u>
Special Transfer – LMRFA***	<u>\$ -</u>	<u>\$ 5,000,000</u>
Reinsurance recoveries from LMRFA	<u>\$ 2,642,280</u>	<u>\$ 3,457,213</u>
Due to (from) affiliates:		
LMA	\$ (76,036)	(\$ 601,109)
RMI	51,329	(160,668)
LMRFA	138,427	5,040,805
	<u>\$ 113,720</u>	<u>\$ 4,279,028</u>

* The reported amount includes a \$46,395 refund received related to a commercial excess premium policy for the 2023–2024 policy year.

** The reported amount excludes \$172,137 of commercial reinsurance true-up payments based on average premiums for the 2022–2023 policy year.

*** For the year ended December 31, 2024, the Board of Trustees approved a special transfer of \$5,000,000 from the Fund to the LMRFA (see Note 5), which is recognized as an expense in these financial statements. Also see Note 3 for additional reinsurance receivable balances with LMRFA and estimated future recoverables.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2022, the Fund and LMRMA Public Liability Fund entered into an agreement with LMA to loan funds to LMA, a total of \$8 million, for the purpose of the purchase of an office building. The terms of the agreement dated December 20, 2022, require that LMA to pay the Fund \$5 million and the LMRMA Public Liability Fund \$3 million in principal with interest thereon at the initial rate per annum equal to the average yield on all of LMRMA investments as of December 31, 2022. LMA pledges the future administrative fees it receives from the Fund and the LMRMA Public Liability Fund as payment for the principal and interest on this note. The administrative fee will include interest earnings of the funds not to exceed \$1.5 million per year. The note is also secured by a mortgage on the property purchased and was reduced with net proceeds from the sale of the prior LMA office building during 2023. The terms also state that the interest rate shall be adjusted on January 1 each year beginning on January 1, 2024, based on the average yield on all of LMRMA investments for the then immediately preceding 12 months.

Interest and principal are payable in annual installments beginning on the 20th of December 2023 and each year thereafter until paid, with the payments varying as interest rate varies. The note receivable balance to the Fund was \$1,538,420 and \$1,888,420 as of December 31, 2025 and 2024, respectively. Interest income recognized during 2025 and 2024 was \$85,734 and \$109,730, respectively, computed at an interest rate of 4.5% and 4.7%, respectively.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	\$ 40,886	\$ 41,912
Less: reinsurance recoverables	<u>30,272</u>	<u>30,642</u>
Liability for unpaid losses at beginning of year, net	<u>10,614</u>	<u>11,270</u>
Net incurred related to:		
Current year	3,755	4,599
Prior years	<u>163</u>	<u>(581)</u>
Total incurred	<u>3,918</u>	<u>4,018</u>
Net paid related to:		
Current year	728	1,434
Prior years	<u>3,501</u>	<u>3,240</u>
Total paid	<u>4,229</u>	<u>4,674</u>
Liability for unpaid losses at end of year, gross	37,806	38,504
Less: reinsurance recoverables (note 5)	<u>27,503</u>	<u>27,890</u>
Liability for unpaid losses at end of year, net	<u>\$ 10,303</u>	<u>\$ 10,614</u>

In addition to the estimated unpaid claims recoverable from the reinsurers (primarily LMRFA), there are \$840,223 and \$816,758 of paid claims which are receivable from the reinsurer at December 31, 2025 and 2024, respectively. See Note 5.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

During 2025 and 2024, the Fund experienced unfavorable and favorable development, respectively, on unpaid claims liabilities established in prior years. The unfavorable development is due to updated claims severity estimates compared to prior estimates. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2025, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2025, will not vary from the above estimates, and such differences could be significant.

The Fund's claims payable have been discounted for the years ended December 31, 2025 and 2024, based on the Fund's anticipated payout patterns and a discount rate assumption of 3.5%, which is intended to approximate the investment earnings over the reserve payout period. The effect of the reserve discounts was \$1,423,000 and \$1,277,000 at December 31, 2025 and 2024, respectively.

The Fund is also subject to assessments by the Louisiana Second Injury Fund and Office of Workers Compensation each year based on the amount of assessable benefits paid each year. The Fund includes in accrued expenses and estimated liabilities to be paid for assessable benefits paid and estimated to be paid in future periods.

4. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2025 and 2024.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Fund may also make investments in bonds or debentures provided certain conditions are met regarding credit quality. Included in investments are money market accounts and repurchase agreements. The Fund's policy is to wire-transfer cash as needed from investments to support disbursements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2025 and 2024:

Investment Type	2025		2024	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Treasury bonds and notes	\$ 7,789,612	\$ 7,815,372	\$ 6,650,177	\$ 6,951,398
U.S. Government mortgage-backed securities	5,998,876	6,041,955	6,098,116	6,308,821
U.S. Agency debt obligations	2,749,456	2,700,272	8,175,461	8,815,094
Municipal bonds	651,840	657,730	2,001,900	2,055,354
Corporate bonds	2,141,667	2,112,454	1,384,425	1,397,184
Money market funds	324,239	324,239	697,531	697,531
TOTAL	\$ 19,655,690	\$ 19,652,022	\$ 25,007,610	\$ 26,225,382

The Fund's investments reflected a net unrealized gain (loss) at December 31, 2025 and 2024 of \$3,668 and (\$1,217,772), respectively, which is attributed to the fluctuations in the market interest rate environment which is further addressed below in interest rate risk. Management expects to hold securities over a period sufficient for the interest rate related decline in fair value to recover and are not considered to be impaired.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government, municipal, and corporate debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market funds are not required to be rated.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

All of the Fund's investments with the exception of money market investments, and corporate and municipal bonds, are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Credit ratings as of December 31, 2025 and 2024 are as follows:

<u>2025</u>	<u>Prime (1)</u>	<u>High-Grade (2)</u>
Municipal bonds	\$ 651,840	\$ -
Corporate bonds	503,800	1,637,867
	<u>\$ 1,155,640</u>	<u>\$ 1,637,867</u>
 <u>2024</u>	 <u>Prime (1)</u>	 <u>High-Grade (2)</u>
Municipal bonds	\$ 2,001,900	\$ -
Corporate bonds	492,315	1,384,425
	<u>\$ 2,494,215</u>	<u>\$ 1,384,425</u>

(1) Prime credit rating is defined as S&P grade AA+ or better or Moody's grade Aa1 or better.

(2) High-grade credit rating is defined as S&P grade A+ through AA or Moody's grade A1 through Aa2.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2025:

<u>INVESTMENT TYPE</u>	<u>INVESTMENT MATURITIES (in years)</u>				
	<u>Estimated Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater than 10</u>
U.S. Treasury bonds and notes	\$ 7,789,612	\$ 546,537	\$ 4,521,691	\$ 2,721,384	\$ -
U.S. Agency debt obligations	2,749,456	-	745,052	2,004,404	-
Municipal bonds	651,840	651,840	-	-	-
Corporate bonds	2,141,667	-	2,141,667	-	-
Money market funds	324,239	324,239	-	-	-
	<u>13,656,814</u>	<u>\$ 1,522,616</u>	<u>\$ 7,408,410</u>	<u>\$ 4,725,788</u>	<u>\$ -</u>
U.S. Government mortgage- backed securities	5,998,876				
TOTAL	<u>\$ 19,655,690</u>				

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Investment income (loss), net for the years ended December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 885,354	\$ 857,484
Realized losses, net	(449,678)	(345,324)
Unrealized gains arising during the year, net	<u>1,221,440</u>	<u>411,647</u>
	<u><u>\$ 1,657,116</u></u>	<u><u>\$ 923,807</u></u>

Fair Value

The Fund uses fair value measurements to record investment assets and to determine fair value disclosures based on a fair value hierarchy of valuation inputs established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 – inputs are unobservable and significant to the fair value measurement.

The fair value of investment securities was determined as follows at December 31, 2025 and 2024:

December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 7,789,612	\$ -	\$ 7,789,612
U.S. Government mortgage-backed securities	-	5,998,876	5,998,876
U.S. Agency debt obligations	2,749,456	-	2,749,456
Municipal bonds	-	651,840	651,840
Corporate bonds	-	2,141,667	2,141,667
Money market funds	<u>324,239</u>	<u>-</u>	<u>324,239</u>
	<u><u>\$ 10,863,307</u></u>	<u><u>\$ 8,792,383</u></u>	<u><u>\$ 19,655,690</u></u>

December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Estimated Fair Value</u>
U.S. Treasury bonds and notes	\$ 6,650,177	\$ -	\$ 6,650,177
U.S. Government mortgage-backed securities	-	6,098,116	6,098,116
U.S. Agency debt obligations	8,175,461	-	8,175,461
Municipal bonds	-	2,001,900	2,001,900
Corporate bonds	-	1,384,425	1,384,425
Money market funds	<u>697,531</u>	<u>-</u>	<u>697,531</u>
	<u><u>\$ 15,523,169</u></u>	<u><u>\$ 9,484,441</u></u>	<u><u>\$ 25,007,610</u></u>

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

The Fund and LMRFA represent a cooperative program for group funding and risk management of public liability, workers' compensation and accident and health claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claim obligations remains with the participants. LMRFA provides excess reinsurance to the Fund with the following limits:

Item I:	\$2,000,000 annual aggregate in excess of 80% of earned premium
Item II:	\$2,000,000 each and every loss in excess of \$175,000 each and every loss in accident years prior to 2012 and \$250,000 for 2012 and future years.

The following are condensed Statements of Net Position for LMRFA at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Assets	\$ 60,005,174	\$ 57,131,413
Liabilities	<u>45,794,000</u>	<u>51,970,000</u>
Net position	<u>\$ 14,211,174</u>	<u>\$ 5,161,413</u>

At December 31, 2025 and 2024, the Fund included approximately \$27.5 million and \$27.9 million, respectively, as recoverable from LMRFA (included in the liabilities above) which reduces the Fund's liabilities for anticipated losses (Note 3). As further described in Note 2, the Board of Trustees approved a special transfer of \$5 million to LMRFA during the year ended December 31, 2024. The Fund's financial statements have been prepared on the assumption LMRFA has financial resources to honor all of its financial obligations. Should LMRFA not be able to meet its financial obligations to the Fund, the Fund remains primarily obligated for the liabilities insured by LMRFA. Management continues to evaluate the amounts recoverable from LMRFA and believes the amounts are all recoverable.

Effective March 5, 2018, LMRFA purchased commercial reinsurance covering exposures incurred related to the Workers' Compensation Fund covering losses in excess of \$400,000 and is limited to 50% of \$1 million per occurrence for the period from March 5, 2018 to December 31, 2018. Effective January 1, 2019, LMRFA purchased coverage which covered the period from January 1, 2019 through December 31, 2023 covering losses in excess of \$400,000 and is limited to 50% of \$2 million per occurrence. Effective March 1, 2024, LMRFA purchased coverage which covered the period from March 1, 2024 through March 1, 2026 covering losses in excess of \$1,250,000 and is limited to \$3,000,000 per occurrence. The Fund has entered into an informal cost sharing arrangement with LMRFA who has paid for this coverage on the Fund's behalf. For the years ended December 31, 2025, and 2024 the cost of this coverage, included in the financial statements of LMRFA, was \$1,618,389 and \$828,445 respectively.

6. CONTINGENCIES

The Fund is involved in various insurance-related claims and legal actions arising from the normal conduct of business. Management of the Fund establishes estimated liabilities for reported and unreported contingencies. The Fund believes the outcome of these proceedings is mitigated and will not have a material effect on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2025
(Unaudited)

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and undiscounted claims expense (net of loss assumed by reinsurers) incurred by the Fund as of the end of 2025 and as of the end of each of the last nine years. The table below does not include costs on estimated incurred claims related to unallocated loss adjustment expenses.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(in thousands)									
ENP and investment income (loss)	\$ 8,172	\$ 7,593	\$ 7,888	\$ 4,927	\$ 6,029	\$ 8,872	\$ 8,904	\$ 9,144	\$ 10,547	\$ 10,847
Operating costs, unallocated	5,404	9,365	9,480	4,282	4,196	4,026	4,363	4,836	4,740	5,319
Estimated incurred claims and expense, end of policy year	4,041	4,993	4,499	4,697	3,772	4,530	4,346	4,379	4,670	4,653
Paid (cumulative) as of:										
End of policy year	728	1,434	1,017	743	586	1,021	832	971	993	903
One year later	-	3,069	2,618	1,261	1,367	1,957	2,180	2,308	2,415	2,111
Two years later	-	-	3,473	1,575	1,864	2,331	3,086	2,800	3,266	2,770
Three years later	-	-	-	1,642	2,028	2,787	3,304	3,212	3,702	3,199
Four years later	-	-	-	-	1,990	2,906	3,516	3,514	4,047	3,312
Five years later	-	-	-	-	-	2,991	3,751	3,699	4,246	3,504
Six years later	-	-	-	-	-	-	3,941	3,707	4,331	3,654
Seven years later	-	-	-	-	-	-	-	3,737	4,434	3,716
Eight years later	-	-	-	-	-	-	-	-	4,543	3,768
Nine years later	-	-	-	-	-	-	-	-	-	3,805
Estimated incurred claims and claims expense:										
End of policy year	4,041	4,993	4,499	4,697	3,772	4,530	4,346	4,379	4,670	4,653
One year later	-	4,682	4,620	2,942	3,367	3,902	4,407	4,674	4,705	4,084
Two years later	-	-	4,672	2,379	2,969	3,620	4,895	4,373	4,888	4,494
Three years later	-	-	-	2,165	2,720	3,600	4,490	4,315	4,861	4,247
Four years later	-	-	-	-	2,471	3,405	4,375	4,188	5,110	4,193
Five years later	-	-	-	-	-	3,419	4,341	4,174	4,993	4,188
Six years later	-	-	-	-	-	-	4,416	4,067	4,903	4,092
Seven years later	-	-	-	-	-	-	-	4,033	4,863	4,139
Eight years later	-	-	-	-	-	-	-	-	4,938	4,153
Nine years later	-	-	-	-	-	-	-	-	-	4,150
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	(311)	173	(2,532)	(1,301)	(1,111)	70	(346)	268	(503)

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025

Agency Head Name: Barney Arceneaux

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by agency	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-

**No compensation of the Chief Executive Officer is included in the above schedule of compensation, benefits and other payments as no such amounts were paid from "public funds" as required to be reported pursuant of R.S. 24:513(A)(3), as amended by Act 462 in 2015, and applicable guidance published by the Louisiana Legislative Auditor.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Officers and Trustees
Louisiana Municipal Risk Management Agency
Workers' Compensation Fund
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Municipal Risk Management Agency Workers' Compensation Fund (the Fund), which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

EisnerAmper LLP

EisnerAmper LLP
Baton Rouge, Louisiana
June 29, 2026



**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2025**

Findings – Financial Statements

None reported.

**LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND**

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Findings – Financial Statements

None reported.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To: Board of Directors of the Louisiana Municipal Association (LMA) and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of the Entity for the fiscal period January 1, 2025 through December 31, 2025. The Entity's management is responsible for those C/C areas identified in the SAUPs. The LMA Insurance Risk Pools consist of the following funds and will collectively be referred to as the Entity or the Funds:

- Louisiana Municipal Reserve Fund Agency
- Louisiana Municipal Risk Management Agency Public Liability Fund
- Louisiana Municipal Risk Management Agency Workers' Compensation Fund
- Louisiana Municipal Association – Unemployment Compensation Fund
- Louisiana Municipal Risk Management Agency – Accident and Health Fund

The Louisiana Municipal Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by Louisiana Municipal Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of the Louisiana Municipal Association for the fiscal period January 1, 2025 through December 31, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Louisiana Municipal Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



EISNERAMPER LLP
Baton Rouge, Louisiana
June 29, 2026

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *“no exception noted” or for step 13 “we performed the procedure and discussed the results with management”*. If not, then a description of the exception ensues.

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

The Entity does not have personnel and do not maintain written policies or procedures, instead, they follow the policies and procedures of Louisiana Municipal Association.

- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Not applicable, see 1A.

- ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

Not applicable, see 1A.

- iii. **Disbursements**, including processing, reviewing, and approving

Not applicable, see 1A.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Not applicable, see 1A.

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Not applicable, see 1A.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Not applicable, see 1A.

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Not applicable, see 1A.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Not applicable, see 1A.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable, see 1A.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable, see 1A.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Not applicable, see 1A.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable, see 1A.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Procedure is not applicable.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exceptions noted.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

A listing of bank accounts was provided and included a total of 5 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected all 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending August 31, 2025, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

There were outstanding checks aged greater than 12 months with no documentation from management that the outstanding checks have been researched. Exception noted.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 5 deposit sites. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below on the 5 deposit sites.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4A was provided and included one collection location for four funds and one lockbox location for another fund. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. Employees responsible for cash collections do not share cash drawers/registers;

Not applicable.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

No exceptions noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

No exceptions noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

The Entity stated that all employees who have access to cash are bonded and/or covered under the Entity's insurance policy. EA obtained and observed the insurance policy. No exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected 2 deposit dates for one bank account selected in procedure #3A. We obtained supporting documentation for each of the 2 deposits and performed the procedures below.

- i. Observe that receipts are sequentially pre-numbered.

No exception noted.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exception noted.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exception noted.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Of the five collection dates selected for testing, all five had collections not deposited within one business day of receipt. Exception noted.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exception noted.

5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided, which only included one location. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below.

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exception noted.

- ii. At least two employees are involved in processing and approving payments to vendors;

No exception noted.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

The person processing payments was not prohibited from adding / modifying vendor files. Exception noted.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

No exception noted.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exception noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

A listing of non-payroll disbursements for each payment processing location selected in procedures #5A was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exception noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exception noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The Entity does not have any active credit cards, bank debit cards, fuel cards or P-Cards.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

Not applicable as noted above.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

Not applicable as noted above.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

Not applicable as noted above.

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Not applicable as noted above.

- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Not applicable as noted above.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 3 reimbursements, CAM reviewed and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 3 reimbursements selected:

Not applicable as the Entity pays personnel through contracted Administrative Fees.

From the listing provided, we randomly selected 3 reimbursements and performed the procedures below.

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

Not applicable as noted above.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

Not applicable as noted above.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by "Written Policies and Procedures", procedure #1A(vii); and

Not applicable as noted above.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable as noted above.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

Not applicable.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

No exceptions noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

Not applicable.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

9) Payroll and Personnel

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

The Entity has an agreement with Louisiana Municipal Association (LMA) to provide support services to help achieve the day to day business functions. The 3rd amendment to the agreement allows the Entity to appoint an LMA employee as the managing director. Not applicable as employees are paid through LMA.

- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

Not applicable as noted above.

- i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

Not applicable as noted above.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Not applicable as noted above.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

Not applicable as noted above.

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Not applicable as noted above.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

Not applicable as noted above.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments,

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Not applicable as noted above.

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

Not applicable as all employees are through LMA.

- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable as all employees are through LMA.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable as all employees are through LMA.

11) Debt Service

- A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Not applicable.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

No exceptions noted – none in 2025.

- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

- i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

Not applicable as noted in #9C.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency’s information technology

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

assets have completed cybersecurity training as required by R.S. 42:12671. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Not applicable as noted in #9C.

- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Not applicable as noted in #9C.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Not applicable as all employees are through LMA.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Not applicable as all employees are through LMA.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable as noted above.

- ii. Number of sexual harassment complaints received by the agency;

Not applicable as noted above.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

¹ While it appears to be a good practice for charter schools to ensure its employees are trained to keep their information technology assets safe from cyberattack, charter schools do not appear required to comply with 42:1267. An individual charter school, though, through specific provisions of its charter, may mandate that all employees/officials receive cybersecurity training.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule A

Not applicable as noted above.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable as noted above.

- v. Amount of time it took to resolve each complaint.

Not applicable as noted above.

Louisiana Municipal Association Insurance Risk Pools
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
December 31, 2025

Schedule B

Management has reviewed and will address the exceptions noted above.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

RESERVE FUND

6767 Perkins Rd. Post Office Box 4327 Baton Rouge, Louisiana 70821

June 17, 2026

RESPONSE TO EXCEPTIONS IN 2025 ATATEWIDE AUP REPORT

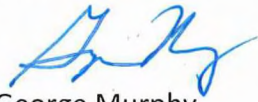
We agree with the exceptions noted in the AUP Report.

Adequate controls exist over payment processing to ensure vendors are paid accurately.

We will research outstanding checks aged greater than 12 months.

We will ensure that deposits are made within one business day of receipt.

Sincerely,



George Murphy

LMRMA CFO