CITY OF MARION, ARKANSAS

REGULATORY BASIS FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2024

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

To the Arkansas Officials and Council Members of
City of Marion, Arkansas

Opinions

We have audited the accompanying financial statements of the City of Marion, Arkansas which comprise the balance sheet – regulatory basis as of December 31, 2024, and the related statements of receipts, disbursements, and changes in fund balances – regulatory basis; receipts, disbursements, and changes in fund balances – budget and actual – general fund – regulatory basis; receipts, disbursements, and changes in fund balances – budget and actual – street fund – regulatory basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, street fund, and other funds in the aggregate of the City of Marion, Arkansas, as of December 31, 2024, the regulatory basis receipts, disbursements, and changes in fund balances for the general fund, street fund and other funds in the aggregate, and the budgetary results for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of the Arkansas Code Section 10-4-412 as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Marion, Arkansas, as of December 31, 2024, or changes in net position, or cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Marion, Arkansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City of Marion, Arkansas on the basis of the financial reporting provisions of Arkansas Code Section 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arkansas. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code Section 10-4-412. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Marion, Arkansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Marion, Arkansas' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the City of Marion, Arkansas' basic financial statements. The accompanying schedules of current disbursements – general fund – regulatory basis; current disbursements – street fund – regulatory basis; combining balance sheet – other funds in the aggregate – regulatory basis, combining statement of receipts, disbursements, and changes in fund balances – other funds in the aggregate – regulatory basis; and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedules of current disbursements – general fund – regulatory basis; current disbursements – street fund – regulatory basis; combining balance sheet – other funds in the aggregate – regulatory basis, combining statement of receipts, disbursements, and changes in fund balances – other funds in the aggregate – regulatory basis; and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of capital assets – general fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 City of Marion, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marion, Arkansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marion, Arkansas' internal control over financial reporting and compliance.

Watkins Ulmsall, PLLC

Memphis, Tennessee
June 29, 2026

CITY OF MARION, ARKANSAS
BALANCE SHEET – REGULATORY BASIS
December 31, 2024

Assets	General Fund	Street Fund	Other Funds in the Aggregate	Total
Cash and cash equivalents	$ 3,287,809	$ 234,884	$ 18,286,608	$ 21,809,301
Short-term investments	4,909,523	-	5,512,359	10,421,882
Other miscellaneous receivables	12,946	-	-	12,946
Interfund receivables	427,528	168,209	102,399	698,136
Total assets	$ 8,637,806	$ 403,093	$ 23,901,366	$ 32,942,265
Liabilities and Fund Balance				
Liabilities				
Customer meter deposits	$ -	$ -	$ 545,906	$ 545,906
Settlements pending-District Court	-	-	515,017	515,017
Accounts payable	2,196	-	3,403	5,599
Payable to State of Arkansas	3,910	-	55,805	59,715
Other payables	-	-	11,761	11,761
Due to Sultana	-	-	192,835	192,835
Interfund payables	102,399	-	595,737	698,136
Total liabilities	108,505	-	1,920,464	2,028,969
Fund Balance				
Restricted	103,798	403,093	16,690,470	17,197,361
Assigned	5,700,968	-	3,921	5,704,889
Unassigned	2,724,535	-	5,286,511	8,011,046
Total fund balance	8,529,301	403,093	21,980,902	30,913,296
Total liabilities and fund balance	$ 8,637,806	$ 403,093	$ 23,901,366	$ 32,942,265

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

CITY OF MARION, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – REGULATORY BASIS
For the Year Ended December 31, 2024

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Receipts				
State turnback	$ 190,815	$ 1,115,438	$ -	$ 1,306,253
Property taxes	1,353,725	148,890	-	1,502,615
Fines and forfeitures	405,261	-	-	405,261
District Court reimbursement	116,891	-	-	116,891
Franchise taxes	613,894	-	-	613,894
Sales taxes	4,117,111	15,399	2,864,547	6,997,057
Local permits	126,860	-	-	126,860
Investment income	270,981	269	1,051,001	1,322,251
Service fees	799,993	-	2,367,741	3,167,734
Federal aid	17,959	-	1,617,394	1,635,353
Other grants	518,238	-	-	518,238
Other	943,528	257	12,642	956,427
Total receipts	9,475,256	1,280,253	7,913,325	18,668,834
Disbursements				
Current:				
General government	1,515,424	-	410,550	1,925,974
Economic development	80,202	-	-	80,202
Law enforcement	3,683,794	-	-	3,683,794
Highways and streets	-	918,001	-	918,001
Public safety	539,919	-	8,456	548,375
Pension	505,246	-	9,838	515,084
Recreation and culture	451,108	-	-	451,108
City services	1,059,591	-	1,955,779	3,015,370
Capital projects	1,264,325	303,705	3,804,357	5,372,387
Total current disbursements	9,099,609	1,221,706	6,188,980	16,510,295

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

CITY OF MARION, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2024

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Debt Services:				
Bond principal	$ -	$ -	$ 2,237,596	$ 2,237,596
Bond interest and other charges	-	-	523,024	523,024
Note principal	-	-	6,342	6,342
Note interest	-	-	3,989	3,989
Total debt services	-	-	2,770,951	2,770,951
Total disbursements	9,099,609	1,221,706	8,959,931	19,281,246
Excess (deficiency) of receipts over disbursements	375,647	58,547	(1,046,606)	(612,412)
Other Financing Sources (Uses):				
Transfers in	-	284,673	-	284,673
Transfers out	(282,018)	-	(2,655)	(284,673)
Total other financing sources (uses)	(282,018)	284,673	(2,655)	-
Excess of receipts and other sources over disbursements and other uses	93,629	343,220	(1,049,261)	(612,412)
Fund balance, December 31, 2023	8,435,672	59,873	23,030,163	31,525,708
Fund balance, December 31, 2024	$ 8,529,301	$ 403,093	$ 21,980,902	$ 30,913,296

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

CITY OF MARION, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL – GENERAL FUND – REGULATORY BASIS
For the Year Ended December 31, 2024

	Budget	Actual	Favorable (Unfavorable) Variance
Receipts			
State turnback	$ 190,815	$ 190,815	$ -
Property taxes	1,353,725	1,353,725	-
Fines and forfeitures	397,036	405,261	8,225
District Court reimbursement	116,891	116,891	-
Franchise taxes	613,894	613,894	-
Sales taxes	4,117,111	4,117,111	-
Local permits	126,860	126,860	-
Interest	269,050	270,981	1,931
Service Fees	799,993	799,993	-
Federal aid	17,959	17,959	-
Other grants	497,700	518,238	20,538
Other	671,097	943,528	272,431
Total receipts	9,172,131	9,475,256	303,125
Disbursements			
Current:			
General government	1,533,801	1,515,424	18,377
Economic development	80,186	80,202	(16)
Law enforcement	3,693,651	3,683,794	9,857
Public safety	550,548	539,919	10,629
Pension	505,248	505,246	2
Recreation and culture	451,188	451,108	80
City services	1,059,590	1,059,591	(1)
Capital projects	1,098,791	1,264,325	(165,534)
Total current	8,973,003	9,099,609	(126,606)
Total disbursements	8,973,003	9,099,609	(126,606)

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

CITY OF MARION, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND - REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2024

	Budget	Actual	Favorable (Unfavorable) Variance
Excess of receipts over disbursements	$ 199,128	$ 375,647	$ 176,519
Other Financing Uses:			
Transfers out	(281,988)	(282,018)	(30)
Total other financing uses	(281,988)	(282,018)	(30)
Excess (deficiency) of receipts other sources over disbursements and other uses	(82,860)	93,629	176,489
Fund balance, December 31, 2023	8,435,672	8,435,672	-
Fund balance, December 31, 2024	$ 8,352,812	$ 8,529,301	$ 176,489

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

CITY OF MARION, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – STREET FUND - REGULATORY BASIS
For the Year Ended December 31, 2024

	Budget	Actual	Favorable (Unfavorable) Variance
Receipts			
State turnback	$ 1,115,438	$ 1,115,438	$ -
Property taxes	148,891	148,890	(1)
Sales taxes	15,399	15,399	-
Interest	269	269	-
Other receipts	245	257	12
Total receipts	1,280,242	1,280,253	11
Disbursements			
Current:			
Highways and streets	926,278	918,001	8,277
Capital projects	471,904	303,705	168,199
Total disbursements	1,398,182	1,221,706	176,476
Excess (deficiency) of receipts over disbursements	(117,940)	58,547	176,487
Other Financing Sources:			
Transfers in	284,640	284,673	33
Excess (deficiency) of receipts and other sources over disbursements and other uses	166,700	343,220	176,520
Fund balance, December 31, 2023	59,873	59,873	-
Fund balance, December 31, 2024	$ 226,573	$ 403,093	$ 176,520

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Marion (the "City") was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City.

B. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code Section 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Assets, liabilities, fund balance, receipts, and disbursements are recognized when they result from cash transactions with a provision for investments, customer meter deposits, funds held for others, and settlements pending.

As a result of the use of this regulatory basis of accounting, certain assets (such as capital assets) and their related receipts and certain liabilities and their related disbursements are not recorded in these financial statements.

C. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code Section 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet, a statement of receipts, disbursements, and changes in the fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and street fund; notes to the financial statements; and a supplementary schedule of capital assets.

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying financial statements:

General Fund

The General Fund is used to account for all the financial resources, except those required to be accounted for in another fund.

Street Fund

The Street Fund is used to account for the proceeds of specific receipt sources that are legally restricted for maintaining and constructing highways and streets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Funds in the Aggregate

Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds included in this column are as follows:

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term bond principal, interest and related costs.

Proprietary Funds

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The following proprietary funds are reported with other funds in the aggregate: Sewer and Water.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. The following trust and agency funds are reported with other funds in the aggregate: Payroll and District Court.

Advertising and Promotion Fund

The Advertising and Promotion Fund uses funds from sales tax to promote the City and its environment.

Grant Fund

The Grant Fund is used to account for transactions which arise from the receipt and expenditure of funding received from the Federal government.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund receivables/payables and transfers

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as other outstanding balances between funds are referred to as either interfund payables or interfund receivables. Interfund transfers represent subsidies and contributions provided to funds with no corresponding debt or promise to pay.

Investments

Investments are reported at fair market value.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance Classifications

- Restricted Fund Balance – amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

- Committed Fund Balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).

- Assigned Fund Balance – amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed.

- Unassigned Fund Balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund and proprietary funds. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Property Taxes

A lien attaches to real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year but are not considered delinquent until after October 10. Property taxes reflected as receipts on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budget Law

The City prepares an annual budget on the regulatory basis for all funds. In establishing an annual budget for the City, state law stipulates the following:

- Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed disbursements and the means of financing them.
- The proposed budget is discussed at the City Council meeting prior to adoption.
- Prior to February 1, the budget is legally enacted by action of the City Council.
- Appropriations lapse at the end of each year.
- Under certain conditions, the budget may be amended subsequent to year-end.

The budgeted receipts and disbursements represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

NOTE 2 – CERTIFICATES OF DEPOSIT

State law requires collateralization of all deposits with the FDIC and other collateral in specific amounts to cover risk of loss. At December 31, 2024, the deposits of the City were sufficiently covered by the FDIC and additional pledged securities held by the City's agent in the City's name. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

The City's investment policy permits investments in the following financial instruments:

- Certificates of deposits issued by state and national banks domiciled in Arkansas that are insured by the FDIC.
- Obligations of the United States of America or its agencies and instrumentalities.
- Corporate bonds held by the City's agent.

The following table provides information about the City's certificates of deposit included in short-term investments at December 31, 2024:

Maturity Period	Amount Outstanding
Over 3 months through 6 months	$ 3,101,560
Over 6 months through 12 months	7,320,322
Total CDs	$ 10,421,882

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statute requires the City to maintain cash balances on deposits with financial institutions located within the State of

NOTE 2 – CERTIFICATES OF DEPOSIT (CONTINUED)

Arkansas. There is a risk that in the event of a bank failure, these deposits may not be returned. To mitigate this risk, it is generally the City's policy to obtain collateral for all deposit balances in excess of FDIC insurance and that such collateral be held in the City's name by an agent of the City. Permissible investments include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. government obligations), repurchase agreements, corporate debt and equity obligations, and state and local government securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to an increased risk of adverse interest rate changes. The City does not have a policy specifically formulated to address interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer.

NOTE 3 – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

Governmental Fund Types

State law requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in eligible investment securities having a maturity not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

NOTE 4 – DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications at December 31, 2024 are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Restricted for:			
Advertising and promotion	$ -	$ -	$ 1,362,960
Highway and streets	-	403,093	-
Debt service	-	-	1,518,812
Capital improvements/equipment	-	-	12,948,119
Grants	100	-	860,579
ACT 833	103,698	-	-
Total restricted	103,798	403,093	16,690,470
Assigned for:			
Capital improvements/equipment	5,514,129	-	-
Payroll	-	-	3,921
Pension	12,562	-	-
Fire equipment	117,716	-	-
Parks improvements	18,782	-	-
Sultana exhibit	13,093	-	-
Animal shelter	24,686	-	-
Total assigned	5,700,968	-	3,921
Unassigned	2,724,535	-	5,286,511
Total fund balances	$ 8,529,301	$ 403,093	$ 21,980,902

NOTE 5 – REVENUE BONDS

The following revenue bonds were issued for securing and developing industry within the City of Marion. The bonds are being retired by a lease-rental plan with the following corporations:

Corporation	Ordinance Authorizing Issuance	Date of Issuance	Original Amount of Bonds Issued	Bonds Outstanding as of December 31, 2024
Hino Motors Manufacturing USA, Inc.	430	9/29/2004	$ 160,000,000	$ 44,800,000
Hino Motors Manufacturing USA, Inc.	475	2/21/2007	$ 70,000,000	$ 22,600,000
Hino Motors Manufacturing USA, Inc.	551	3/28/2014	$ 75,000,000	$ 46,963,500

NOTE 6 – LONG-TERM DEBT

The balances outstanding on long-term debt consisted of the following at December 31, 2024:

Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2017, 2.0% to 5.0% interest, payable in annual installments of varying amounts through September 1, 2047. Payments are made from the Debt Service Fund.	$	7,300,000
2014 Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond, 4.25% interest, payable in semi-annual installments of $152,673 maturing December 2044. Payments are made from the Sewer Fund.		4,086,316
Note payable to Arkansas Natural Resources Commission dated February 19, 2012, payable in 20 annual installments of $10,331 beginning December 2014 including interest at 5.00%, due December 2033. Payments are made from the Sewer Fund. Proceeds used to finance a sewer project.		58,434
Lease-Purchase Agreement with U.S. Bankcorp Government Leasing and Finance, dated January 3, 2020, payable in 60 monthly payments of $3,498 including interest at 2.65%, maturing January 2025. Payments are made from the General Fund, collateralized by a garbage truck.		3,490
Note payable to First National Bank of Eastern Arkansas, dated November 19, 2020, payable in 60 monthly payments of $6,620, including interest at 2.25% and maturing November 2025. Payments are made from the General Fund, collateralized by the fire rescue truck.		71,917
Lease-Purchase Agreement with Southern Bancorp, dated December 19,2022, payable in 25 monthly payments of $5,614, including interest at 4.5% with a balloon payment due January 2025. The balloon payment was refinanced in January 2025 with a 60 month payment schedule. Payments are made from the General Fund, collateralized by two garbage trucks.		250,378
Note payable with First National Bank of Eastern Arkansas, dated March 17, 2023, payable in 59 monthly payments of $2,623 including interest at 5.15%, with balloon payment due March 20,2028 for unpaid balance. Payments are made from the General Fund, collateralized by a garbage truck.		93,967
Lease-Purchase Agreement with Southern Bancorp, dated December 1, 2023, payable in 24 monthly payments of $6,299 including interest at 5.51%, with a final payment due January 1, 2026 for unpaid balance. Payments are made from the General Fund, collateralized by a garbage truck.		241,582
	$	12,106,084

In accordance with the provision of the regulatory basis of accounting, these liabilities are not recorded in the financial statements.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the years ending December 31:

	Bonds		Notes Payable		Leases		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 548,077	$ 667,619	$ 105,846	$ 8,686	$ 316,609	$ 12,930	$ 970,532	$ 689,235
2026	568,793	633,703	35,700	6,102	178,841	-	783,334	639,805
2027	594,754	610,542	37,564	4,238	-	-	632,318	614,780
2028	620,971	581,825	15,476	2,660	-	-	636,447	584,485
2029	647,455	373,938	8,094	2,237	-	-	655,549	376,175
2030-2034	3,654,723	2,364,651	21,638	4,693	-	-	3,676,361	2,369,344
2035-2039	3,389,102	1,482,815	-	-	-	-	3,389,102	1,482,815
2040-2044	1,362,441	164,252	-	-	-	-	1,362,441	164,252
2045-2049	-	-	-	-	-	-	-	-
	$ 11,386,316	$ 6,879,345	$ 224,318	$ 28,616	$ 495,450	$ 12,930	$ 12,106,084	$ 6,920,891

NOTE 7 – RELATED PARTY TRANSACTIONS

The building in which City Hall operates is owned by an entity which is owned by members of the Mayor's family. The entity rents the building to the City which has been done for numerous years before the Mayor was elected. This relationship and amounts paid thereof to the Mayor's family entity is reviewed and approved annually by the City Council. Payments totaling $37,170 were made during 2024.The City reimbursed the City Attorney $12,000 for office expense in 2024. The City purchased contractual chemical supplies totaling $41,020 during 2024 from a company who employs a City Councilman. The City Treasurer's accounting firm loaned accounting staff to the City during the year. Payments totaling $103,719 were made to the accounting firm in 2024 for the City's use of the employees.

NOTE 8 – ACT 15 – ARKANSAS STATUTE 19-4416.1

During the 1985 legislative session, the Legislature passed Act 15 (Codified as Arkansas Statutes 19-4416.1). This act requires an independent accountant to include, at a minimum, a review and comment on compliance with each of the Arkansas Statutes outlined in the above Act.

(1) Arkansas Municipal Accounting Law of 1973, Code 14-59-101 et seq. We have reviewed the City's compliance with the municipal accounting law. It is our opinion that the City has complied, in all material respects, with the other requirements of the law.

(2) Arkansas District Courts and City Courts Accounting Law, Code 16-10-201 et seq. We have reviewed the City's compliance with the laws for the District Court. It is our opinion that the City has complied, in all material respects, with the other requirements of the law.

(3) Improvement Contracts, Code 22-9-202 – 22-9-204. We have reviewed the City's compliance with the laws for improvement contracts. It is our opinion that the City has complied, in all material respects, with the law.

NOTE 8 – ACT 15 – ARKANSAS STATUTE 19-4416.1 (CONTINUED)

(4) Budgets, Purchases, and Payments of Claims, etc., Code 14-58-201 et seq. and 14-58-301 et seq. We have reviewed the City's compliance with the law for budgets, purchases, and payments for claims, etc. It is our opinion that the City has complied, in all material respects, with the law.

(5) Investment of Public Funds, Code 19-1-501 et seq. We have reviewed the City's compliance with the law for investments of public funds. It is our opinion that the City has complied, in all material respects, with the law.

(6) Deposit of Public Funds, Code 19-8-101 – 19-8-107. We have reviewed the City's compliance with the law for deposit of municipal funds. It is our opinion that the City has complied, in all material respects, with the law.

NOTE 9 – CONTINGENCIES

Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 10 – PENSION PLANS

Firemen's Relief Pension Fund

In August 2022, the City of Marion entered into an Administrative Services Agreement with the Arkansas Local Police and Fire Retirement System (LOPFI) for administration of the City's Firemen's Relief Pension. Based on actuarial valuations, the assets transferred to LOPFI will not be sufficient to fund the expected retirement benefits. The estimated liability will be paid to LOPFI in 180 monthly installments of $1,165. The City will be responsible for funding any changes in the actuarially calculated liability in the future.

Deferred Compensation Plan

Effective January 1, 2024, the City terminated participation in its Simple IRA Plan and adopted a governmental deferred compensation plan under Section 457(b) of the Internal Revenue Code for employees not covered by the Local Police and Fire Pension System. All employees who are age 21 are eligible to participate in the plan upon attaining 75 days of service. Beginning with the first payroll of January 2024, employee salary deferrals and any employer matching contributions were made to the 457(b) Plan.

Under the terms of the 457(b) Plan, employer matching contributions are discretionary and may be made by a percentage determined by the City from time to time based on employee's salary deferral contributions.

The City's participation in the Simple IRA Plan ceased effective January 1, 2024. Existing Simple IRA account balances remain the property of the individual employees, and no additional employee or employer contributions were made to the Simple IRA Plan since that date.

NOTE 10 – PENSION PLANS (CONTINUED)

Local Police and Fire Retirement System (LOPFI)

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple-employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly.

The Arkansas Local Police and Fire Retirement System issues a public financial report that includes financial statements and required supplementary information for the LOPFI.

That report may be obtained by writing to the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, AR 72203 or by calling 1-501-682-1745.

Member contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different member contribution rates required by State law are:

- Paid service not covered by Social Security: 8.5% of gross pay
- Paid service also covered by Social Security: 2.5% of gross pay
- Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was $372,458 for the year ended December 31, 2024.

Arkansas District Judge Retirement System

The Arkansas General Assembly established the Arkansas District Judge Retirement System (the "System") beginning January 1, 2005. The executive director and the administrative staff of the Arkansas Public Employees Retirement System (APERS) are the executive director and administrative staff of the System. All district judges and former district or municipal court judges not covered by APERS on December 31, 2004, are required to be covered under the System. Those covered by APERS on December 31, 2004, will continue to be covered by APERS on January 1, 2005.

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan that covers all district judges elected or appointed to office unless covered by APERS and district court clerks. The system provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas District Judge Retirement System issues a public financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Arkansas Public Employees Retirement System, One National Plaza, 124 W. Capital, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

The System is a contributory plan. Members are required by Arkansas Code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the System based on the annual valuation.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Municipal Legal Defense Program

The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the City and pay extraordinary judgments (for actual damages – not punitive damages) imposed on the City and its officials and employees. The program shall never be liable to reimburse the City, municipal officials and employees because of judgments in any one lawsuit for more than 25 percent of the program's available funds at time the lawsuit is filed, or the judgment becomes final, or $1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. The City also agrees to pay the first $3,000 of the aggregate cost for all expenses on each lawsuit. This cost is not refundable.

Self-Insured Fidelity Bond Program

The City participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the City through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of $300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a $2,500 deductible per occurrence.

During the year ended December 31, 2024, the City received proceeds under its fidelity bond coverage related to prior losses involving the District Court. Because the proceeds were pending legal determination and distribution at year-end, the amounts have been reported as a liability within the District Court fund in the accompanying financial statements. Additional information regarding the subsequent court-ordered disbursement of these funds is included in Note 12.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to year-end, the City issued $33,945,000 of Sales and Use Tax Bonds, Series 2025A and Series 2025B. The bonds were issued for the purpose of refunding the City's outstanding Series 2017 bonds and funding various capital improvements throughout the City. The Series 2025A proceeds of $4,975,000 were used to refund the outstanding Series 2017 bonds. The Series 2025B proceeds of $28,970,000 will be used to finance future Street, Drainage, Park and Recreational, Fire, Police, Sewer, Water, and Library capital improvements. The Series 2025A bonds bear interest at rates ranging from 4.20% to 4.95% and mature annually through fiscal year 2033. The Series 2025B bonds bear interest at rates ranging from 4.25% to 5.00% and mature annually beginning in fiscal year 2034 through fiscal year 2055.

During the year ended December 31, 2024, the City received approximately $300,000 in fidelity bond proceeds related to losses arising from the misappropriation of funds involving the District Court under the former Chief Clerk of the department. The City became aware of the matter in December 2022 and subsequently pursued recovery through applicable fidelity bond coverage. At December 31, 2024, the bond proceeds were being held in a City bank account pending legal determination and authorization for disbursement of the funds. Subsequent to year-end, the City received a court order directing the disbursement of the fidelity bond proceeds to designated parties. In accordance with the court order, the City disbursed the funds during December 2025.

SUPPLEMENTARY INFORMATION

CITY OF MARION, ARKANSAS
SCHEDULE OF CURRENT DISBURSEMENTS – GENERAL FUND – REGULATORY BASIS
For the Year Ended December 31, 2024

General Government		
Personnel services	$	590,762
Supplies		61,889
Other services and charges		830,647
Repairs & maint.		32,126
		1,515,424
Economic Development		
Personnel services		60,255
Supplies		2,338
Other services and charges		17,609
		80,202
Law Enforcement		
Personnel services		2,492,726
Supplies		117,087
Other services and charges		877,241
Repairs & maint.		196,740
		3,683,794
Public Safety		
Personnel services		303,043
Supplies		22,168
Other services and charges		127,442
Repairs & maint.		87,266
		539,919
Pension		505,246
Recreation and Culture		
Personnel services		247,082
Supplies		6,883
Other services and charges		174,359
		22,784
		451,108
City Services		
Sanitation		1,059,591
		1,059,591
Capital Projects		1,264,325
Total current disbursements - general fund	$	9,099,609

See independent auditor's report.

CITY OF MARION, ARKANSAS
SCHEDULE OF CURRENT DISBURSEMENTS – STREET FUND – REGULATORY BASIS
For the Year Ended December 31, 2024

Highways and Streets		
Personnel services	$	461,421
Streets maintenance		5,515
Other services and charges		451,065
Total current disbursements - street fund		918,001
Capital Projects		303,705
Total current disbursements - street fund	$	1,221,706

See independent auditor's report.

CITY OF MARION, ARKANSAS
COMBINING BALANCE SHEET – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS
December 31, 2024

Assets	Water	Sewer	Capital Projects	District Court	Debt Service	Payroll	Advertising & Promotion	Grants	Total
Cash and cash equivalents	$ 638,592	$ 1,825,285	$ 12,948,119	$ 556,721	$ 1,518,812	$ 68,791	$ 602,257	$ 128,031	$ 18,286,608
Short-term investments	515,144	3,142,920	-	-	-	-	760,703	1,093,592	5,512,359
Interfund receivables	-	101,338	-	-	-	1,061	-	-	102,399
Total assets	$ 1,153,736	$ 5,069,543	$ 12,948,119	$ 556,721	$ 1,518,812	$ 69,852	$ 1,362,960	$ 1,221,623	$ 23,901,366
Liabilities and Fund Balance									
Liabilities									
Customer meter deposits	$ 545,906	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 545,906
Settlements pending-District Court	-	-	-	515,017	-	-	-	-	515,017
Accounts payable	-	-	-	-	-	3,403	-	-	3,403
Payable to State of Arkansas	25,862	-	-	29,943	-	-	-	-	55,805
Other payables	-	-	-	11,761	-	-	-	-	11,761
Due to Sultana	-	-	-	-	-	-	-	192,835	192,835
Interfund payables	365,000	-	-	-	-	62,528	-	168,209	595,737
Total liabilities	936,768	-	-	556,721	-	65,931	-	361,044	1,920,464
Fund Balance									
Restricted	-	-	12,948,119	-	1,518,812	-	1,362,960	860,579	16,690,470
Assigned	-	-	-	-	-	3,921	-	-	3,921
Unassigned	216,968	5,069,543	-	-	-	-	-	-	5,286,511
Total fund balance	216,968	5,069,543	12,948,119	-	1,518,812	3,921	1,362,960	860,579	21,980,902
Total liabilities and fund balance	$ 1,153,736	$ 5,069,543	$ 12,948,119	$ 556,721	$ 1,518,812	$ 69,852	$ 1,362,960	$ 1,221,623	$ 23,901,366

See independent auditor's report.

CITY OF MARION, ARKANSAS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS
For the Year Ended December 31, 2024

	Water	Sewer	Capital Projects	District Court	Debt Service	Payroll	Advertising & Promotion	Grants	Total
Receipts									
Sales taxes	$ -	$ -	$ -	$ -	$ 2,396,734	$ -	$ 467,813	$ -	$ 2,864,547
Investment income	29,067	174,798	670,168	-	70,909	-	42,386	63,673	1,051,001
Service fees	1,134,795	1,232,946	-	-	-	-	-	-	2,367,741
Federal Aid	208	-	-	-	-	-	-	1,617,186	1,617,394
Other	3,054	8,938	-	-	-	-	650	-	12,642
Total receipts	1,167,124	1,416,682	670,168	-	2,467,643	-	510,849	1,680,859	7,913,325
Disbursements									
Current:									
General government	-	-	-	-	-	9,235	340,390	60,925	410,550
Public safety	-	-	-	-	-	-	-	8,456	8,456
Pension	9,838	-	-	-	-	-	-	-	9,838
City services	1,308,841	449,596	-	-	-	-	-	197,342	1,955,779
Capital projects	39,997	-	1,467,775	-	-	-	-	2,296,585	3,804,357
Total current	1,358,676	449,596	1,467,775	-	-	9,235	340,390	2,563,308	6,188,980
Debt Services:									
Bond principal	-	127,596	-	-	2,110,000	-	-	-	2,237,596
Bond interest and other charges	43	178,250	-	-	344,731	-	-	-	523,024
Note principal	-	6,342	-	-	-	-	-	-	6,342
Note interest	-	3,989	-	-	-	-	-	-	3,989
Total debt services	43	316,177	-	-	2,454,731	-	-	-	2,770,951
Total disbursements	1,358,719	765,773	1,467,775	-	2,454,731	9,235	340,390	2,563,308	8,959,931
Excess (deficiency) of receipts over disbursements	(191,595)	650,909	(797,607)	-	12,912	(9,235)	170,459	(882,449)	(1,046,606)
Other financing sources (uses):									
Transfers in/(out)	217,508	(217,508)	-	-	-	-	(2,655)	-	(2,655)
Excess (deficiency) of receipts and other sources over disbursements and other uses	25,913	433,401	(797,607)	-	12,912	(9,235)	167,804	(882,449)	(1,049,261)
Fund balance, December 31, 2023	191,055	4,636,142	13,745,726	-	1,505,900	13,156	1,195,156	1,743,028	23,030,163
Fund balance, December 31, 2024	$ 216,968	$ 5,069,543	$ 12,948,119	$ -	$ 1,518,812	$ 3,921	$ 1,362,960	$ 860,579	$ 21,980,902

See independent auditor's report.

CITY OF MARION, ARKANSAS
SCHEDULE OF CAPITAL ASSETS – GENERAL FUND – UNAUDITED
December 31, 2024

Land and Buildings	$	10,095,317
Equipment		14,069,448
Improvements		9,745,327
	$	33,910,092

See independent auditor's report.

CITY OF MARION, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program	Assistance Listing Number		Pass-Through Grant #	Expenditures
U.S. Department of Commerce				
Direct Award				
Economic Development Cluster:				
Economic Adjustment Assistance- COVID-19	11.307	*		$ 1,000,000
U.S. Department of Housing and Urban Development				
Passed through AR Development Commission				
Community Development Block Grants	14.228		790-09173-20	310,200
U.S. Department of Justice				
Passed through AR Department of Finance Administration				
Project Safe Neighborhoods	16.609		256601-22EL	22,035
Edward Bryne Memorial Justice Assistance Grant Program	16.738			7,400
Total U.S. Department of Justice				29,435
U.S. Department of Transportation				
Passed through AR Department of Transportation				
Highway Planning and Construction	20.205		CMF-9278(9)	333,747
Highway Planning and Construction	20.205		STPD 9278 (6)	98,444
Subtotal- ALN 20.205				432,191
Passed through the AR Highway Safety Office				
Highway Safety Cluster:				
National Priority Safety Programs	20.616			14,384
Total U.S. Department of Transportation				446,575
U.S. Department of the Treasury				
Direct Award				
Coronavirus Local Fiscal Recovery Funds- COVID-19	21.027	*		585,078
Delta Regional Authority				
Direct Award				
Delta Area Economic Development	90.201			499,821
Total expenditures of federal awards				$ 2,871,109

* Denotes major program

See Independent auditor's report and accompanying notes to the schedule.

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balances, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – INSURANCE COVERAGE

The City maintains insurance coverage as recommended by its insurance agent of record.

NOTE E – SUB-RECIPIENTS

The City did not pass any awards through to sub-recipients for the year ended December 31, 2024.

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

To the City of Marion, Arkansas Officials and Council Members

We have audited, 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, the accompanying regulatory basis financial statements of the general fund, street fund and other funds in the aggregate and the statements of budgetary comparison for the general fund and street fund, of the City of Marion, Arkansas, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2026. Our report expressed an adverse opinion on accounting principles generally accepted in the United States of America and an unmodified opinion on the regulatory basis of accounting.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Marion, Arkansas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Marion, Arkansas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Marion, Arkansas' response and Management's Corrective Action Plan was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Uiliusall, PLLC

Memphis, Tennessee
June 29, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City of Marion, Arkansas Officials and Council Members

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Marion, Arkansas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Marion, Arkansas' major federal programs for the year ended December 31, 2024.The City of Marion, Arkansas' major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Marion, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Marion, Arkansas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Marion, Arkansas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Marion, Arkansas' federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Marion, Arkansas' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Marion, Arkansas' compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City of Marion, Arkansas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Marion, Arkansas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Marion, Arkansas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins Uiliusall, PLLC

Memphis Tennessee
June 29, 2026

CITY OF MARION, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

- Assistance Listing Number: 11.307 Economic Adjustment Assistance
- Assistance Listing Number: 21.027 Coronavirus Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Did auditee qualify as a low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weakness

2024-001 Duplicate Recognition of Sewer Revenue

Criteria: The City should maintain internal controls and reconciliation procedures over cash receipts, interfund transactions, and revenue recognition to ensure transactions are recorded accurately and only once in the accounting records. Cash deposits and related interfund transfers should be reviewed to ensure revenues are properly classified and not duplicated between funds or accounts.

Condition: During audit procedures, we identified a sewer receipt deposit totaling $101,338 that was recorded twice as revenue within the Sewer Fund. Sewer receipts are initially collected through the Water Fund and subsequently transferred to the Sewer Fund on a monthly basis. During the year, certain sewer receipt funds were incorrectly deposited into a General Fund bank account. The City appropriately recognized the original sewer revenue upon receipt and transfer from the Water Fund; however, when it was discovered the funds were deposited into the wrong account, the City recorded the interfund receivable due as additional sewer revenue rather than as a reduction in Sewer cash. As a result, sewer revenue and cash-related balances were overstated by $101,338 prior to audit adjustment.

Cause: The duplicate revenue recognition resulted from inadequate review and reconciliation procedures over interfund cash activity and revenue postings. Specifically, the transfer of funds from the General Fund account to the Sewer Fund was not properly evaluated to determine whether the amounts represented previously recognized revenue.

Effect: If not detected and corrected, similar errors could result in inaccurate financial reporting and reduced reliability of fund accounting records.

Recommendation: We recommend the City strengthen internal controls surrounding cash receipt processing, interfund transfers, and monthly reconciliation procedures. Management should implement review procedures to ensure transfers between funds are properly classified and evaluated for prior recognition before revenue is recorded. In addition, periodic reconciliations between bank accounts, interfund balances, and revenue reports should be performed and documented to help identify duplicate postings or classification errors in a timely manner.

Views of Responsible Officials: The City management concurs with the audit finding regarding the cash and revenue overstatement in the Sewer Fund. See attached Management's Corrective Action Plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF MARION, ARKANSAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2024

None reported**.**

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Official Management Response & Corrective Action Plan

Finding Classification: Material Weakness in Internal Control Over Financial Reporting
Financial Statement Impact: Sewer Fund – Cash and Revenue Overstatement
Anticipated Completion Date: July 31, 2026
Responsible Official: David Rikard, Treasurer

1. Management Response & Corrective Action

Management emphasizes that this misstatement was strictly an internal bookkeeping and interfund clearing issue. It did not involve any fraud or misappropriation of city funds, nor did it impact or violate any municipal bond covenants or debt service coverage ratios.

The error originated from a multi-step interfund transaction. An initial transfer from the Water Fund to the Sewer Fund was mistakenly deposited to the General Fund. The amount represents the entire monthly Sewer Fund revenue collected by the Water Fund, thus representing a material amount. While the Finance Department detected the error the following month and initiated a journal entry in the Sewer Fund to recognize the "Due From" asset and correct the revenue, the subsequent adjustment entry was posted incorrectly. This manual posting error accidentally duplicated the revenue recognition instead of clearing the balance.

The financial statements have been fully adjusted via an auditor-approved adjusting journal entry prior to the final publication of this report to remove the duplicated revenue.

2. Specific Corrective Steps to Be Taken

To prevent complex interfund corrections from resulting in manual duplication errors moving forward, the Finance Department will implement the following controls:

- **Standardized Interfund Correction Procedures:** Management will establish a structured, written protocol for correcting multi-fund errors to ensure "Due To/Due From" entries offset corresponding revenue or expense lines accurately.
- **Dual-Sign Off on Correction Entries:** All manual correcting journal entries exceeding $10,000 will require a documented secondary review and written sign-off by the Treasurer prior to ledger posting.

MAYOR Tracy Brick
CITY ATTORNEY Christopher Crain
TREASURER David Rikard
CITY CLERK Patty James
DISTRICT COURT JUDGE Tyler Ginn

CITY COUNCIL
Kelsey Hensley - District I
Adam Cupples - District I
Cliff Wood - District II
Taylor Guy III - District II
Bryan Jackson - District III
Ray Nassar - District III

- **Enhanced General Ledger Review:** The monthly reconciliation process will include a specific line-item variance check on utility fund revenues to identify and flag unexpected or duplicated balances before the close of each period.

3. Monitoring and Oversight

The Treasurer will review all interfund transfers and correcting entries on a monthly basis to verify compliance with the new internal control controls.

Respectively,



David Rikard
Marion Arkansas Treasurer