

CITY OF MARION, ARKANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2023



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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, 2023, 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 - 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, 2023, 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, 2023, 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, as described in Note 1. 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 accompanying 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 and 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 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The 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, based on our audit, the supplementary schedules, as listed in the table of contents, 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 27, 2025 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 Mikusall, PLLC

Memphis, Tennessee
June 27, 2025

CITY OF MARION, ARKANSAS
BALANCE SHEET – REGULATORY BASIS

December 31, 2023

<u>Assets</u>	General Fund	Street Fund	Other Funds in the Aggregate	Total
Cash and cash equivalents	\$ 3,631,122	\$ 59,873	\$ 18,581,133	\$ 22,272,128
Short-term investments	4,583,469	-	5,456,889	10,040,358
Other miscellaneous receivables	13,799	-	-	13,799
Interfund receivables	212,528	-	-	212,528
Total assets	\$ 8,440,918	\$ 59,873	\$ 24,038,022	\$ 32,538,813
 <u>Liabilities and Fund Balance</u>				
Liabilities				
Customer meter deposits	\$ -	\$ -	\$ 544,673	\$ 544,673
Settlements pending-District Court	-	-	174,292	174,292
Accounts payable	1,336	-	20,561	21,897
Payable to State of Arkansas	3,910	-	55,805	59,715
Interfund payables	-	-	212,528	212,528
Total liabilities	5,246	-	1,007,859	1,013,105
Fund Balance				
Restricted	99,747	59,873	18,189,810	18,349,430
Assigned	5,386,109	-	13,156	5,399,265
Unassigned	2,949,816	-	4,827,197	7,777,013
Total fund balance	8,435,672	59,873	23,030,163	31,525,708
Total liabilities and fund balance	\$ 8,440,918	\$ 59,873	\$ 24,038,022	\$ 32,538,813

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, 2023

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Receipts				
State turnback	\$ 219,504	\$ 886,699	\$ -	\$ 1,106,203
Property taxes	1,273,174	139,939	-	1,413,113
Fines and forfeitures	662,889	-	-	662,889
District Court reimbursement	121,266	-	-	121,266
Franchise taxes	612,833	-	-	612,833
Sales taxes	4,049,903	273,373	2,847,691	7,170,967
Local permits	137,759	-	-	137,759
Investment income	35,630	117	743,960	779,707
Service fees	796,454	-	2,319,560	3,116,014
Federal aid	4,746	-	-	4,746
Other grants	39,964	-	-	39,964
Other	380,707	5,834	55,133	441,674
Total receipts	<u>8,334,829</u>	<u>1,305,962</u>	<u>5,966,344</u>	<u>15,607,135</u>
Disbursements				
Current:				
General government	1,418,448	-	423,227	1,841,675
Economic development	44,567	-	-	44,567
Law enforcement	3,040,330	-	-	3,040,330
Highways and streets	-	1,404,912	-	1,404,912
Public safety	520,115	-	-	520,115
Pension	318,765	-	8,243	327,008
Recreation and culture	427,446	-	-	427,446
City services	620,765	-	1,690,741	2,311,506
Capital projects	779,966	223,788	257,176	1,260,930
Total current disbursements	<u>7,170,402</u>	<u>1,628,700</u>	<u>2,379,387</u>	<u>11,178,489</u>

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, 2023

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Debt Services:				
Bond principal	\$ -	\$ -	\$ 2,092,787	\$ 2,092,787
Bond interest and other charges	-	-	595,966	595,966
Note principal	-	-	32,803	32,803
Note interest	-	-	4,412	4,412
Total debt services	<u>-</u>	<u>-</u>	<u>2,725,968</u>	<u>2,725,968</u>
Total disbursements	<u>7,170,402</u>	<u>1,628,700</u>	<u>5,105,355</u>	<u>13,904,457</u>
Excess (deficiency) of receipts over disbursements	1,164,427	(322,738)	860,989	1,702,678
Other Financing Sources (Uses):				
Transfer of pension assets to LOPFI	-	-	(627)	(627)
Transfers in	-	325,729	-	325,729
Transfers out	(323,074)	-	(2,655)	(325,729)
Total other financing sources (uses)	<u>(323,074)</u>	<u>325,729</u>	<u>(3,282)</u>	<u>(627)</u>
Excess of receipts and other sources over disbursements and other uses	841,353	2,991	857,707	1,702,051
Fund balance, December 31, 2022	<u>7,594,319</u>	<u>56,882</u>	<u>22,172,456</u>	<u>29,823,657</u>
Fund balance, December 31, 2023	<u>\$8,435,672</u>	<u>\$ 59,873</u>	<u>\$ 23,030,163</u>	<u>\$ 31,525,708</u>

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Receipts			
State turnback	\$ 172,571	\$ 219,504	\$ 46,933
Property taxes	1,273,084	1,273,174	90
Fines and forfeitures	650,000	662,889	12,889
District Court reimbursement	121,251	121,266	15
Franchise taxes	612,750	612,833	83
Sales taxes	4,053,082	4,049,903	(3,179)
Local permits	137,723	137,759	36
Interest	6,842	35,630	28,788
Service Fees	805,328	796,454	(8,874)
Federal aid	12,403	4,746	(7,657)
Other grants	38,455	39,964	1,509
Other	338,691	380,707	42,016
Total receipts	<u>8,222,180</u>	<u>8,334,829</u>	<u>112,649</u>
Disbursements			
Current:			
General government	1,398,922	1,418,448	(19,526)
Economic development	44,570	44,567	3
Law enforcement	3,008,297	3,040,330	(32,033)
Public safety	499,131	520,115	(20,984)
Pension	408,599	318,765	89,834
Recreation and culture	436,872	427,446	9,426
City services	726,134	620,765	105,369
Capital projects	699,051	779,966	(80,915)
Total current	<u>7,221,576</u>	<u>7,170,402</u>	<u>51,174</u>
Total disbursements	<u>7,221,576</u>	<u>7,170,402</u>	<u>51,174</u>

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Excess of receipts over disbursements	\$ 1,000,604	\$ 1,164,427	\$ 163,823
Other Financing Uses:			
Transfers out	<u>(323,074)</u>	<u>(323,074)</u>	-
Total other financing uses	<u>(323,074)</u>	<u>(323,074)</u>	-
Excess (deficiency) of receipts other sources over disbursements and other uses	677,530	841,353	163,823
Fund balance, December 31, 2022	<u>7,594,319</u>	<u>7,594,319</u>	-
Fund balance, December 31, 2023	<u><u>\$ 8,271,849</u></u>	<u><u>\$ 8,435,672</u></u>	<u><u>\$ 163,823</u></u>

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, 2023

	Budget	Actual	Favorable (Unfavorable) Variance
Receipts			
State turnback	\$ 886,703	\$ 886,699	\$ (4)
Property taxes	139,943	139,939	(4)
Sales taxes	273,377	273,373	(4)
Interest	76	117	41
Other receipts	-	5,834	5,834
Total receipts	<u>1,300,099</u>	<u>1,305,962</u>	<u>5,863</u>
Disbursements			
Current:			
Highways and streets	1,288,826	1,404,912	(116,086)
Capital projects	339,958	223,788	116,170
Total disbursements	<u>1,628,784</u>	<u>1,628,700</u>	<u>84</u>
Excess (deficiency) of receipts over disbursements	(328,685)	(322,738)	5,947
Other Financing Sources:			
Transfers in	<u>323,074</u>	<u>325,729</u>	<u>2,655</u>
Excess (deficiency) of receipts and other sources over disbursements and other uses	(5,611)	2,991	8,602
Fund balance, December 31, 2022	<u>56,882</u>	<u>56,882</u>	<u>-</u>
Fund balance, December 31, 2023	<u>\$ 51,271</u>	<u>\$ 59,873</u>	<u>\$ 8,602</u>

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

CITY OF MARION, ARKANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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.

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, District Court, and Firemen's Pension.

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, and money market accounts are considered to be cash and cash equivalents.

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 composed of 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.

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, 2023, 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, 2023:

Maturity Period	Amount Outstanding
Over 3 months through 6 months	\$ 3,012,107
Over 6 months through 12 months	7,028,251
Total CDs	<u>\$ 10,040,358</u>

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 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, 2023 are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Restricted for:			
Advertising and promotion	\$ -	\$ -	\$ 1,195,156
Highway and streets	-	59,873	-
Debt service	-	-	1,505,900
Capital improvements/equipment	-	-	13,745,726
Grants (ARPA)	-	-	1,743,028
ACT 833	99,747	-	-
Total restricted	<u>99,747</u>	<u>59,873</u>	<u>18,189,810</u>
Assigned for:			
Capital improvements/equipment	5,304,051	-	-
Payroll	-	-	13,156
Pension	12,083	-	-
Fire equipment	17,013	-	-
Parks improvements	8,481	-	-
Sultana exhibit	13,093	-	-
Animal shelter	31,388	-	-
Total assigned	<u>5,386,109</u>	<u>-</u>	<u>13,156</u>
Unassigned	<u>2,949,816</u>	<u>-</u>	<u>4,827,197</u>
Total fund balances	<u>\$ 8,435,672</u>	<u>\$ 59,873</u>	<u>\$ 23,030,163</u>

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, 2023
Hino Motors Manufacturing USA, Inc.	430	9/29/2004	\$ 160,000,000	\$ 51,200,000
Hino Motors Manufacturing USA, Inc.	475	2/21/2007	\$ 70,000,000	\$ 25,425,000
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, 2023:

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.	\$ 9,410,000
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.	4,213,912
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.	64,776
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.	45,477
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.	155,094
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	299,797
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.	119,852
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.	305,805
	<u>\$ 14,614,713</u>

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

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
2024	\$ 527,596	\$ 677,500	\$ 109,119	\$ 12,117	\$ 155,746	\$ 28,355	\$ 792,461	\$ 717,972
2025	548,077	667,619	112,150	8,686	103,798	22,185	764,025	698,490
2026	568,793	633,703	35,700	6,102	230,599	9,530	835,092	649,335
2027	594,754	610,542	37,564	4,238	49,320	7,130	681,638	621,910
2028	620,971	581,825	15,456	2,688	51,842	4,608	688,269	589,121
2029-2033	3,512,876	2,319,502	29,732	6,928	59,774	2,012	3,602,382	2,328,442
2034-2038	4,233,633	1,649,552	-	-	-	-	4,233,633	1,649,552
2039-2043	2,721,369	741,644	-	-	-	-	2,721,369	741,644
2044-2048	295,843	9,465	-	-	-	-	295,843	9,465
	<u>\$ 13,623,912</u>	<u>\$ 7,891,352</u>	<u>\$ 339,721</u>	<u>\$ 40,759</u>	<u>\$ 651,079</u>	<u>\$ 73,820</u>	<u>\$ 14,614,713</u>	<u>\$ 8,005,931</u>

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 \$30,585 were made during 2023. The City reimbursed the City Attorney \$8,800 for office expense in 2023. The City purchased contractual chemical supplies totaling \$20,529 during 2023 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 \$101,154 were made to the accounting firm in 2023 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 most material respects, with the law, with the exception of the instance of noncompliance regarding installment payments. This is noted in the Schedule of Findings and Responses which accompanies the 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*.
- (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.

- (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.

Simple IRA Plan

The City started this plan during 2001 for all employees not covered by the Local Police and Fire Pension System. The City matches amounts withheld from the employee's salary, up to a maximum of 3% of the employee's compensation for the calendar year.

Group Combination Deferred Annuity Contract (Nonparticipating)

The City started this plan during 2012 for all employees not covered by the Local Police and Fire Pension System. The City matches amounts withheld from the employee's salary, up to a maximum of 3% of the employee's compensation for the calendar year.

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 \$205,691 for the year ended December 31, 2023.

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.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through June 27, 2025, which is the date the financial statements were available to be issued. The City is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CITY OF MARION, ARKANSAS

SCHEDULE OF CURRENT DISBURSEMENTS – GENERAL FUND – REGULATORY BASIS

For the Year Ended December 31, 2023

General Government			
Personnel services	\$		470,821
Supplies			88,766
Other services and charges			792,644
Repairs & maint.			66,217
			1,418,448
Economic Development			
Supplies			540
Other services and charges			44,027
			44,567
Law Enforcement			
Personnel services			2,103,803
Supplies			113,278
Other services and charges			667,001
Repairs & maint.			156,248
			3,040,330
Public Safety			
Personnel services			284,729
Supplies			9,328
Other services and charges			110,240
Repairs & maint.			115,818
			520,115
Pension			318,765
Recreation and Culture			
Personnel services			232,321
Supplies			7,097
Other services and charges			171,180
			16,848.00
			427,446
City Services			
Sanitation			620,765
			620,765
Capital Projects			779,966
Total current disbursements - general fund	\$		7,170,402

See independent auditor's report.

CITY OF MARION, ARKANSAS

SCHEDULE OF CURRENT DISBURSEMENTS – STREET FUND – REGULATORY BASIS

For the Year Ended December 31, 2023

Highways and Streets	
Personnel services	\$ 835,545
Streets maintenance	35,648
Other services and charges	<u>533,719</u>
Total current disbursements - street fund	<u>1,404,912</u>
Capital Projects	<u>223,788</u>
Total current disbursements - street fund	<u><u>\$ 1,628,700</u></u>

See independent auditor's report.

CITY OF MARION, ARKANSAS

COMBINING BALANCE SHEET – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS

December 31, 2023

<u>Assets</u>	Water	Sewer	Capital Projects	District Court	Debt Service	Payroll	Advertising & Promotion	Grants	Total
Cash and cash equivalents	\$ 415,333	\$ 1,607,585	\$ 13,745,726	\$ 204,235	\$ 1,505,900	\$ 96,245	\$ 462,343	\$ 543,766	\$ 18,581,133
Short-term investments	496,257	3,028,557	-	-	-	-	732,813	1,199,262	5,456,889
Total assets	\$ 911,590	\$ 4,636,142	\$ 13,745,726	\$ 204,235	\$ 1,505,900	\$ 96,245	\$ 1,195,156	\$ 1,743,028	\$ 24,038,022
<u>Liabilities and Fund Balance</u>									
Liabilities									
Customer meter deposits	\$ 544,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544,673
Settlements pending	-	-	-	174,292	-	-	-	-	174,292
Accounts payable	-	-	-	-	-	20,561	-	-	20,561
Payable to State of Arkansas	25,862	-	-	29,943	-	-	-	-	55,805
Interfund payables	150,000	-	-	-	-	62,528	-	-	212,528
Total liabilities	720,535	-	-	204,235	-	83,089	-	-	1,007,859
Fund Balance									
Restricted	-	-	13,745,726	-	1,505,900	-	1,195,156	1,743,028	18,189,810
Assigned	-	-	-	-	-	13,156	-	-	13,156
Unassigned	191,055	4,636,142	-	-	-	-	-	-	4,827,197
Total fund balance	191,055	4,636,142	13,745,726	-	1,505,900	13,156	1,195,156	1,743,028	23,030,163
Total liabilities and fund balance	\$ 911,590	\$ 4,636,142	\$ 13,745,726	\$ 204,235	\$ 1,505,900	\$ 96,245	\$ 1,195,156	\$ 1,743,028	\$ 24,038,022

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, 2023

	Water	Sewer	Capital Projects	District Court	Debt Service	Payroll	Advertising & Promotion	Grants	Total
Receipts									
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,380,619	\$ -	\$ 467,072	\$ -	\$ 2,847,691
Investment income	4,143	22,684	634,709	-	69,156	-	5,634	7,634	743,960
Service fees	1,088,300	1,231,260	-	-	-	-	-	-	2,319,560
Other	1,428	53,705	-	-	-	-	-	-	55,133
Total receipts	1,093,871	1,307,649	634,709	-	2,449,775	-	472,706	7,634	5,966,344
Disbursements									
Current:									
General government	2,093	-	-	-	-	2,872	418,213	49	423,227
Pension	8,243	-	-	-	-	-	-	-	8,243
City services	1,362,984	327,757	-	-	-	-	-	-	1,690,741
Capital projects	61,911	29,873	165,392	-	-	-	-	-	257,176
Total current	1,435,231	357,630	165,392	-	-	2,872	418,213	49	2,379,387
Debt Services:									
Bond principal	-	147,787	-	-	1,945,000	-	-	-	2,092,787
Bond interest and other charges	10	183,005	-	-	412,951	-	-	-	595,966
Note principal	-	32,803	-	-	-	-	-	-	32,803
Note interest	-	4,412	-	-	-	-	-	-	4,412
Total debt services	10	368,007	-	-	2,357,951	-	-	-	2,725,968
Total disbursements	1,435,241	725,637	165,392	-	2,357,951	2,872	418,213	49	5,105,355
Excess (deficiency) of receipts over disbursements	(341,370)	582,012	469,317	-	91,824	(2,872)	54,493	7,585	860,989
Other financing sources (uses):									
Transfer of pension assets to LOPFI	-	-	-	-	-	(627)	-	-	(627)
Transfers in/(out)	216,268	(216,268)	-	-	-	-	(2,655)	-	(2,655)
Total other financing sources (uses)	216,268	(216,268)	-	-	-	(627)	(2,655)	-	(3,282)
Excess (deficiency) of receipts and other sources over disbursements and other uses	(125,102)	365,744	469,317	-	91,824	(3,499)	51,838	7,585	857,707
Fund balance, December 31, 2022	316,157	4,270,398	13,276,409	-	1,414,076	16,655	1,143,318	1,735,443	22,172,456
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

See independent auditor's report.

CITY OF MARION, ARKANSAS

SCHEDULE OF CAPITAL ASSETS – GENERAL FUND – UNAUDITED

December 31, 2023

Land and Buildings	\$ 10,095,317
Equipment	13,214,130
Improvements	<u>5,283,670</u>
	<u>\$ 28,593,117</u>

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, 2023, 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 27, 2025. 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.

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 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 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 Wilkerson, PLLC

Memphis, Tennessee
June 27, 2025

CITY OF MARION, ARKANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status/Current Year Finding Number</u>
2022-001	Deposits of Daily District Court Transactions (Original Finding 2021-001)	Corrected
2022-002	Delayed or Omitted Processing of Monetary Settlements	Corrected
2022-003	Segregation of Duties	Corrected
2022-004	Court Defendant Installment Plans	Finding still existed during 2023. Management's 2022 corrective action plan implemented in June 2024.
2022-005	Noncompliance with Arkansas District Court Accounting Law	Finding still existed during 2023. Management's 2022 corrective action plan implemented in June 2024.