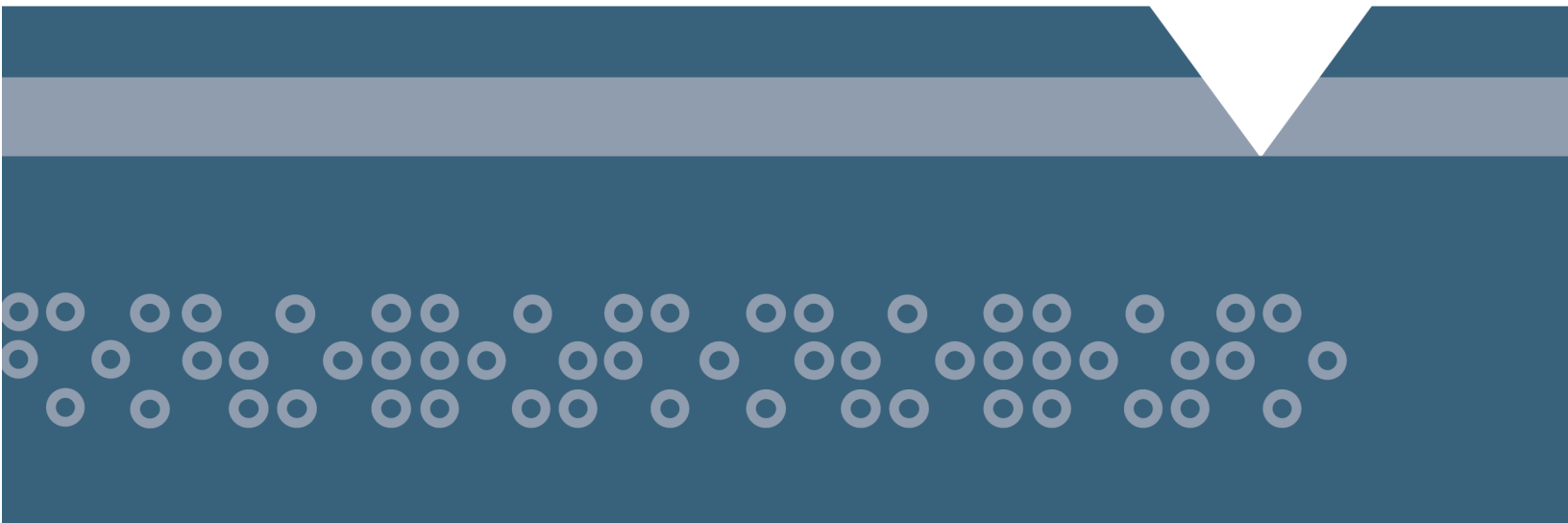


Town of Marion
Marion, Louisiana

Financial Statements
December 31, 2025



TOWN OF MARION, LOUISIANA

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-4
REQUIRED SUPPLEMENTARY INFORMATION (PART I)	
Management's Discussion and Analysis	5-9
FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18-19
Notes to the Financial Statements	20-43
REQUIRED SUPPLEMENTARY INFORMATION (PART II)	
Budgetary Comparison Schedules	
General Fund	44
ARPA Fund	45
Notes to the Budgetary Comparison Schedule	46

TOWN OF MARION, LOUISIANA

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

Schedule of Compensation Paid to the Elected Officials	47
Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head	48
LCDBG Projects – Balance Sheet	49
LCDBG Projects – Schedule of Revenues, Expenditures, and Changes in Fund Balances	50
Justice System Funding Schedule – Collecting/Disbursing Entity	51

REPORTS REQUIRED BY *GOVERNMENT AUDTING STANDARDS*

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 <i>Government Auditing Standards</i>	52-53
Schedule of Findings and Responses	54-63
Summary Schedule of Prior Year Audit Findings	64



PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Honorable Danny Smith, Mayor
Members of the Board of Aldermen
Town of Marion, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Marion, Louisiana (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Town 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.

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

The accompanying financial statements have been prepared assuming that the Town will continue as a going concern. As discussed in Note 21 to the financial statements, the Town reported a decrease in net position in governmental activities of \$281,747 for the year ended December 31, 2025, reported unrestricted net position in governmental activities of \$67,046 at December 31, 2025, and management has identified liquidity concerns, including concern regarding the Town's ability to pay bills as they become due. In addition, the Town's enterprise funds reported an operating loss of \$193,718 for the year ended December 31, 2025, and reported an unrestricted net position deficit of \$16,246 at December 31, 2025. Management's evaluation of these conditions and events and management's plan regarding these matters are also described in Note 21. These conditions indicate that substantial doubt exists about the

Town's ability to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 44-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of compensation paid to elected officials, the schedule of compensation, reimbursements, benefits, and other payments to the agency head, LCDBG Projects – Balance Sheet, LCDBG Projects - Schedule of Revenue, Expenditures and Changes in Fund Balances, and Justice System Funding Schedule for Collecting/Disbursing Entity are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Justice System Funding Schedule is presented to satisfy the requirements of Act 87 of the 2020 Louisiana Regular Legislative Session. Such information is the responsibility of management and were derived from and relate 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, the schedule of compensation paid to elected officials, the schedule of compensation, reimbursements, benefits, and other payments to the agency head, LCDBG Projects – Balance Sheet, LCDBG Projects - Schedule of Revenue, Expenditures and Changes in Fund Balances, and Justice System Funding Schedule for Collecting/Disbursing Entity are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2026, on our consideration of the Town's 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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
August 31, 2026

TOWN OF MARION, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

The management of the Town of Marion, Louisiana (Town), offers the readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2025. Management's discussion and analysis is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, or conditions.

Overview of the Financial Statements

The Town's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the above categories reported as net position. The statement of activities shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the related cash flows.

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues, for example, the police and fire departments. Business-type activities are functions that are intended to support their costs through charges for services or fees such as the water and sewer departments.

Fund Financial Statements

The Town of Marion, Louisiana maintains three governmental funds at this time, the General Fund, ARPA Fund and the Capital Projects Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and ARPA which are major funds.

The Town adopts an annual budget for its general fund and ARPA funds. A budgetary comparison schedule is presented on pages 44-46, which compares actual revenues and expenditures to the original budget and amended budget figures. The original budget was adopted December 2024. It was not amended during the year.

The Town operates a proprietary fund. The Town uses an enterprise fund to account for its water and sewer disposal operations. This enterprise fund reports the same functions presented as a business-type activity in the government-wide financial statements.

The notes to the financial statements have additional information presented that is essential to a full understanding of the data provided in the government-wide financial statements. The notes are found on pages 20-43.

TOWN OF MARION, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Government-Wide Financial Analysis

Overall, the Town's financial position and results of its operation did not improve in 2025. The largest percentage of the total assets is the Town's investment in net capital assets. The Town has outstanding debt of \$1,211,739 which was used to finance some of the \$11,160,186 of capital assets. (For more detailed information on the Town's debt and capital assets, see pages 34-39.) The total liabilities of \$1,557,199 are 26% of the total net position.

The following table reflects the condensed statement of net position at December 31, 2025.

	Governmental Activities	Business-Type Activities	2025 Total	2024 Total
<u>Assets</u>				
Current Assets	\$ 149,027	\$ 255,668	\$ 404,695	\$ 584,352
Restricted Assets	21,850	496,749	518,599	500,493
Capital assets and leased assets				
Net of accumulated depreciation/amortization	1,042,319	5,554,001	6,596,320	6,207,406
Total Assets	1,213,196	6,306,418	7,519,614	7,292,251
<u>Liabilities</u>				
Current Liabilities	52,086	275,970	328,056	130,909
Non-Current Liabilities	108,227	1,120,916	1,229,143	1,270,334
Total Liabilities	160,313	1,396,886	1,557,199	1,401,243
<u>Net Position</u>				
Investment in Capital Assets	932,103	4,429,029	5,361,132	4,926,270
Restricted for Debt Service	21,850	465,876	487,726	478,980
Restricted	31,884	30,873	62,757	93,967
Unrestricted	67,046	(16,246)	50,800	391,791
Total Net Position	\$ 1,052,883	\$ 4,909,532	\$ 5,962,415	\$ 5,891,008

TOWN OF MARION, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

The Town's governmental activities decreased the net position by \$281,747. The total business-type activities increased the Town's net position by \$329,824. Below is a summary of the statement of activities.

	Governmental Activities	Business-Type Activities	2025 Total	2024 Total
<u>Revenues</u>				
Program Revenues	\$ 140,053	\$ 861,433	\$ 1,001,486	\$ 2,373,160
General Revenues	300,194	55,043	355,237	364,317
Transfers	(79,083)	79,083	-	-
Total Revenues	361,164	995,559	1,356,723	2,737,477
<u>Expenses</u>				
General and Administrative	298,348	-	298,348	225,004
Police Protection	219,318	-	219,318	204,076
Fire Protection	27,400	-	27,400	29,861
Public Works	55,147	-	55,147	64,033
Sanitation	28,308	-	28,308	16,175
Culture and Recreation	11,108	-	11,108	14,853
Water & Sewer	-	665,735	665,735	670,172
Interest on Long-Term Debt	3,282	-	3,282	7,897
Total Expenses	642,911	665,735	1,308,646	1,232,071
Increase (Decrease) in Net Position	(281,747)	329,824	48,077	1,505,406
<u>Net Position</u> - January 1, 2025, restated	1,334,630	4,579,708	5,914,338	4,385,602
<u>Net Position</u> - December 31, 2025	\$ 1,052,883	\$ 4,909,532	\$ 5,962,415	\$ 5,891,008

Program Revenues are broken down as follows:

<u>Program Revenues</u>	<u>Total</u>	<u>% of Program Revenues</u>
Public Safety – Charges	\$ 98,388	10%
Sanitation	41,665	4%
Water - Charges	323,240	32%
Water – Grants	241,803	24%
Sewer – Charges	61,630	6%
Sewer - Grants	234,760	24%
Total Program Revenues	<u>\$1,001,486</u>	<u>100%</u>

TOWN OF MARION, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

General Revenues consist of the following:

<u>General Revenues</u>	<u>Total</u>	<u>% of General Revenues</u>
Property Taxes	78,960	22%
Sales Taxes	120,964	34%
Franchise Taxes	46,211	13%
Alcoholic Beverage Tax	1,134	1%
Intergovernmental	29,491	8%
Licenses & Permits	42,427	12%
Interest Income	15,165	4%
Proceeds from sale of assets	4,025	1%
Miscellaneous	16,860	5%
Total General Revenues	<u>355,237</u>	<u>100%</u>

Financial Analysis of the Government's Funds

The Town of Marion's governmental funds reported ending fund balances of \$150,665, which is a decrease of \$270,713. The Town's proprietary fund shows an ending net position of \$4,909,532, which is an increase of \$329,824. The primary reason for the increase in the proprietary funds is grants received for the water and sewer system.

Capital Assets and Debt Administration

The total investment in net capital assets as of December 31, 2025, is \$5,361,132. There was \$374,820 of construction and assets added in the year ended December 31, 2025.

In 2025, the Town paid the USDA for loans in the general fund and water fund totaling \$81,856 which included \$48,053 in interest and \$32,478 in principal, which left an unpaid principal balance of \$1,195,207.

Current Financial Factors

The Town received a Delta Regional Authority grant during the year ended December 31, 2025, for water and sewer projects. The Town completed the ARPA project to merge with the Concord Water System in 2025, and should complete the DRA project to add a lift station in 2026.

The Town's governmental activities reported a decrease in net position of \$281,747 for the year ended December 31, 2025, and unrestricted net position of \$67,046 at December 31, 2025. Management has identified liquidity concerns, including concern regarding the Town's ability to pay bills as they become due. Subsequent to year-end, the Town withdrew \$107,000 from restricted certificates of deposit and/or savings accounts related to USDA debt, and the funds had not been restored as of August 31, 2026. Management is evaluating the matter, including the nature and extent of any noncompliance with applicable USDA debt covenant or reserve requirements, if any. See Note 20 for additional information regarding going concern.

TOWN OF MARION, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Requests for Information

The financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, Marion, Louisiana. The phone number is 318-292-4715.

FINANCIAL STATEMENTS

TOWN OF MARION, LOUISIANA

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 64,480	\$ 23,970	\$ 88,450
Investments	17,151	39,377	56,528
Receivables, Net	31,362	228,059	259,421
Due To/From Other Funds	35,738	(35,738)	-
Due From Other Governments	296	-	296
Restricted Cash and Cash Equivalents	21,850	313,167	335,017
Restricted Investments	-	183,582	183,582
Right to use leased asset, net of amortization	39,979	-	39,979
Capital Assets:			
Land	45,597	35,007	80,604
Buildings	540,302	125,236	665,538
Improvements	366,247	-	366,247
Infrastructure	584,463	8,051,533	8,635,996
Furniture and Equipment	803,506	267,301	1,070,807
Construction in Progress	-	304,147	304,147
Less Accumulated Depreciation	(1,337,775)	(3,229,223)	(4,566,998)
Capital Assets, Net of Depreciation	<u>1,002,340</u>	<u>5,554,001</u>	<u>6,556,341</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,213,196</u>	<u>\$ 6,306,418</u>	<u>\$ 7,519,614</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 13,104	\$ 214,357	\$ 227,461
Accrued Liabilities	7,108	28,758	35,866
Accrued interest payable	575	-	575
Current Portion of Long-Term Obligations	27,994	-	27,994
Non-Current Portion of Long-Term Obligations	40,237	-	40,237
Paid out of Restricted Assets:			
Accrued Interest Payable	1,058	994	2,052
Customer Deposits	-	27,805	27,805
Current Portion of Long-Term Obligations	2,247	31,861	34,108
Non-Current Portion of Long-Term Obligations	<u>67,990</u>	<u>1,093,111</u>	<u>1,161,101</u>
<u>TOTAL LIABILITIES</u>	160,313	1,396,886	1,557,199
<u>NET POSITION</u>			
Net Investment in Capital Assets	932,103	4,429,029	5,361,132
Restricted for Debt Service	21,850	465,876	487,726
Restricted	31,884	30,873	62,757
Unrestricted, Unreserved	<u>67,046</u>	<u>(16,246)</u>	<u>50,800</u>
<u>TOTAL NET POSITION</u>	<u>\$ 1,052,883</u>	<u>\$ 4,909,532</u>	<u>\$ 5,962,415</u>

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Capital	Primary Government		
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Function/Program Activities						
Government Activities:						
General and Administrative	\$ 298,348	\$ -	\$ -	\$ (298,348)	\$ -	\$ (298,348)
Police Protection	219,318	98,388	-	(120,930)	-	(120,930)
Fire Protection	27,400	-	-	(27,400)	-	(27,400)
Public Works	55,147	-	-	(55,147)	-	(55,147)
Sanitation	28,308	41,665	-	13,357	-	13,357
Culture and Recreation	11,108	-	-	(11,108)	-	(11,108)
Interest on Long-Term Debt	3,282	-	-	(3,282)	-	(3,282)
Total Governmental Activities	642,911	140,053	-	(502,858)	-	(502,858)
Business-Type Activities:						
Water	492,438	323,240	241,803	-	72,605	72,605
Sewer	173,297	61,630	234,760	-	123,093	123,093
Total Business-Type Activities	665,735	384,870	476,563	-	195,698	195,698
Total Government	\$ 1,308,646	\$ 524,923	\$ 476,563	(502,858)	195,698	(307,160)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				78,960	-	78,960
Franchise Taxes				46,211	-	46,211
Sales Taxes				79,864	41,100	120,964
Alcoholic Beverage Tax				1,134	-	1,134
Intergovernmental				29,491	-	29,491
Licenses and Permits				42,427	-	42,427
Interest Income				1,222	13,943	15,165
Proceeds from sale of assets				4,025	-	4,025
Miscellaneous				16,860	-	16,860
Transfers				(79,083)	79,083	-
Total General Revenues, Special Items and Transfers				221,111	134,126	355,237
Changes in Net Position				(281,747)	329,824	48,077
Net position - Beginning, as originally stated				1,334,630	4,556,378	5,891,008
Prior period adjustment				-	23,330	23,330
Net Position - Beginning, restated				1,334,630	4,579,708	5,914,338
Net Position - Ending				\$ 1,052,883	\$ 4,909,532	\$ 5,962,415

See independent auditor's report and notes to the financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

TOWN OF MARION, LOUISIANA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	Major Funds		Capital	Total
	General	ARPA	Projects	Governmental
	Fund	Fund	Fund	Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 32,395	\$ 31,884	\$ 201	\$ 64,480
Investments	17,151	-	-	17,151
Receivables Net				
Ad Valorem Taxes	3,672	-	-	3,672
Sales and Use Taxes	11,325	-	-	11,325
Franchise Fees Receivable	4,915	-	-	4,915
Receivables-Garbage Fees	11,450	-	-	11,450
Due From Other Governments				
Louisiana Beer Tax Distribution	296	-	-	296
Restricted Assets: Cash	21,850	-	-	21,850
Due From Other Funds	35,738	-	-	35,738
<u>TOTAL ASSETS</u>	<u>\$ 138,792</u>	<u>\$ 31,884</u>	<u>\$ 201</u>	<u>\$ 170,877</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 13,104	\$ -	\$ -	\$ 13,104
Accrued Liabilities	7,108	-	-	7,108
Total Liabilities	20,212	-	-	20,212
<u>FUND BALANCES</u>				
Restricted for Debt Service	21,850	-	-	21,850
Restricted	-	31,884	-	31,884
Assigned	-	-	201	201
Unassigned	96,730	-	-	96,730
Total Fund Balances	118,580	31,884	201	150,665
<u>TOTAL LIABILITIES AND</u>				
<u>FUND BALANCES</u>	<u>\$ 138,792</u>	<u>\$ 31,884</u>	<u>\$ 201</u>	<u>\$ 170,877</u>

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA
RECONCILIATION OF GOVERNMENTAL
FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Governmental Fund Balances	\$	150,665
----------------------------------	----	---------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental Capital Assets	2,340,115	
Less: Accumulated Depreciation	<u>(1,337,775)</u>	1,002,340

Right to use Leased Assets	60,177	
Less: Accumulated Amortization	<u>(20,198)</u>	39,979

Long-term liabilities, including bonds and notes payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated Absences	(9,920)	
Bonds Payable - Fire Station Project	(70,237)	
Note Payable - Garbage Truck	(16,686)	
Lease Liability	(41,625)	
Accrued Interest Payable	<u>(1,633)</u>	<u>(140,101)</u>

Net Position of Governmental Activities	\$	<u><u>1,052,883</u></u>
---	----	-------------------------

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Major Funds		Capital	Total
	General	ARPA	Projects Fund	Governmental
	Fund	Fund		Funds
<u>Revenues</u>				
Property Taxes	\$ 78,960	\$ -	\$ -	\$ 78,960
Franchise Taxes	46,211	-	-	46,211
Sales Taxes	79,864	-	-	79,864
Licenses and Permits	42,427	-	-	42,427
Intergovernmental				
Other	30,625	-	-	30,625
Sanitation Fees	41,665	-	-	41,665
Fines	98,388	-	-	98,388
Interest Income	1,222	-	-	1,222
Miscellaneous	16,860	-	-	16,860
Total Revenues	436,222	-	-	436,222
<u>Expenditures</u>				
General Government	260,044	-	-	260,044
Police Protection	202,974	-	-	202,974
Fire Protection	27,400	-	-	27,400
Public Works	55,147	-	-	55,147
Sanitation Department	25,237	-	-	25,237
Culture and Recreation	3,661	-	-	3,661
Debt Service:				
Principal Payments	17,732	-	-	17,732
Interest and Other	3,282	-	-	3,282
Capital Outlays	56,300	-	-	56,300
Total Expenditures	651,777	-	-	651,777
<u>Excess (Deficiency) of Revenues</u>	(215,555)	-	-	(215,555)
<u>Over Expenditures</u>				
<u>Other Financing Sources and (Uses)</u>				
Proceeds from Debt	19,900	-	-	19,900
Proceeds from Sale of Fixed Assets	4,025	-	-	4,025
Transfers Out	(17,000)	(62,083)	-	(79,083)
Net Other Financing Sources (Uses)	6,925	(62,083)	-	(55,158)
<u>Net Change in Fund Balance</u>	(208,630)	(62,083)	-	(270,713)
<u>Fund Balances - Beginning</u>	327,210	93,967	201	421,378
<u>FUND BALANCES - ENDING</u>	\$ 118,580	\$ 31,884	\$ 201	\$ 150,665

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total		
Governmental Funds	\$	(270,713)

*Amounts reported for governmental activities in
the statement of activities are different because:*

Government funds report capital outlays as expenditures
while governmental activities report depreciation
expense to allocate those expenditures over the life of
the assets:

Capital asset purchases capitalized	56,300	
Depreciation expense	<u>(48,048)</u>	8,252

Amortization Expense for leased assets	<u>(12,119)</u>	
		(12,119)

Some expenses reported in the statement of activities do not
require the use of current financial resources and, therefore,
are not reported as an expenditure in governmental funds.

Change in accrued interest	34	
Change in compensated absences	<u>(5,033)</u>	(4,999)

Repayment of debt principal, including capital leases,
is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement
of net position.

Proceeds from Debt	(19,900)	
Principal Payments	<u>17,732</u>	(2,168)

Change in Net Position in Governmental Activities	\$	<u><u>(281,747)</u></u>
---	----	-------------------------

See independent auditor's report and notes to the financial statements.

PROPRIETARY FUNDS

TOWN OF MARION, LOUISIANA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2025

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 9,966	\$ 14,004	\$ 23,970
Accounts Receivable, Net	62,606	165,453	228,059
Investments	39,377	-	39,377
Total Current Assets	111,949	179,457	291,406
<u>Non-Current Assets</u>			
Restricted Assets:			
Water Fund - Meter Deposits	30,873	-	30,873
Water Sinking & Reserve Accounts	282,294	-	282,294
Restricted Investments Water Meter	19,517	-	19,517
Restricted Investments Water Projects	164,065	-	164,065
Total Restricted Assets	496,749	-	496,749
Capital Assets:			
Land	18,400	16,607	35,007
Construction in Progress	-	304,147	304,147
Buildings	125,236	-	125,236
Infrastructure	5,590,909	2,460,624	8,051,533
Furniture and Equipment	213,129	54,172	267,301
Less: Accumulated Depreciation	(2,488,800)	(740,423)	(3,229,223)
Total Capital Assets	3,458,874	2,095,127	5,554,001
<u>TOTAL ASSETS</u>	\$ 4,067,572	\$ 2,274,584	\$ 6,342,156
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 21,432	\$ 192,925	\$ 214,357
Accrued Liabilities	28,758	-	28,758
Customer Deposits	27,805	-	27,805
Accrued Interest	994	-	994
Bonds Payable - Current Portion	31,861	-	31,861
Due To Other Funds	35,738	-	35,738
Total Current Liabilities	146,588	192,925	339,513
<u>Long Term Liabilities</u>			
Bonds Payable - Long-Term	1,093,111	-	1,093,111
Total Liabilities	1,239,699	192,925	1,432,624
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,333,902	2,095,127	4,429,029
Restricted for Debt Service	465,876	-	465,876
Restricted	30,873	-	30,873
Unrestricted	(2,778)	(13,468)	(16,246)
Total Net Position	\$ 2,827,873	\$ 2,081,659	\$ 4,909,532

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>Operating Revenues</u>			
Charges for Services	\$ 323,240	\$ 61,630	\$ 384,870
Sales Tax	20,550	20,550	41,100
Total Operating Revenues	343,790	82,180	425,970
<u>Operating Expenses</u>			
Salaries and Employee Benefits	205,361	11,247	216,608
Office Supplies	10,752	904	11,656
Professional Fees	4,000	2,000	6,000
Repairs and Maintenance	54,683	46,083	100,766
Vehicle Expense	5,818	2,811	8,629
Utilities and Telephone	9,593	28,947	38,540
Depreciation and Amortization	125,208	65,664	190,872
Insurance	10,686	1,641	12,327
Miscellaneous	34,290	-	34,290
Administration Charge - Sewer	(14,000)	14,000	-
Total Operating Expenses	446,391	173,297	619,688
<u>Operating Income (Loss)</u>	(102,601)	(91,117)	(193,718)
<u>Non-Operating Revenues (Expenses)</u>			
Operating Interest Income	13,818	125	13,943
Grant Income	241,803	234,760	476,563
Interest Expense	(46,047)	-	(46,047)
Total Non-Operating Revenues (Expenses)	209,574	234,885	444,459
Income Before Transfers	106,973	143,768	250,741
<u>Other Financing Sources (Uses)</u>			
Transfers In	-	79,083	79,083
<u>Changes in Net Position</u>	106,973	222,851	329,824
Net position - Beginning, as originally stated	2,720,900	1,835,478	4,556,378
Prior period adjustment	-	23,330	23,330
Net Position - Beginning of the Year, restated	<u>2,720,900</u>	<u>1,858,808</u>	<u>4,579,708</u>
NET POSITION - END OF THE YEAR	<u>\$ 2,827,873</u>	<u>\$ 2,081,659</u>	<u>\$ 4,909,532</u>

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>Cash Flows From Operating Activities</u>			
Receipts from Customers	\$ 307,274	\$ 61,630	\$ 368,904
Payments to Suppliers	(156,173)	(44,118)	(200,291)
Payments to Employees	(189,174)	(11,247)	(200,421)
Other Receipts	28,415	20,550	48,965
Internal Activity Payments to Other Funds	14,000	(14,000)	-
Net Cash Provided by Operating Activities	4,342	12,815	17,157
<u>Cash Flows From Noncapital Financing Activities</u>			
Increase in Customer Deposits	1,596	-	1,596
Transfers from other funds	-	79,083	79,083
Interfund Receivable - General Fund	82,835	-	82,835
Net Cash Provided by Noncapital Financing Activities	84,431	79,083	163,514
<u>Cash Flows From Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(241,803)	(318,518)	(560,321)
Grant Income	241,803	234,760	476,563
Principal Paid on Bonds	(30,580)	-	(30,580)
Payments for Interest on Long-Term Financing	(46,047)	-	(46,047)
Net Cash Provided (Used) by Capital and Related Financing Activities	(76,627)	(83,758)	(160,385)
<u>Cash Flows From Investing Activities</u>			
Interest Earned	1,546	125	1,671
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	13,692	8,265	21,957
Cash and Cash Equivalents at Beginning of Year	309,441	5,739	315,180
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 323,133</u>	<u>\$ 14,004</u>	<u>\$ 337,137</u>
Classified As:			
Cash	\$ 9,966	\$ 14,004	\$ 23,970
Meter Deposits	30,873	-	30,873
Water Sinking and Reserve Accounts	282,294	-	282,294
<u>NET CASH AND CASH EQUIVALENTS</u>	<u>\$ 323,133</u>	<u>\$ 14,004</u>	<u>\$ 337,137</u>

See independent auditor's report and notes to the financial statements.

TOWN OF MARION, LOUISIANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Used by Operating Activities:</u>			
Operating Loss	\$ (102,601)	\$ (91,117)	\$ (193,718)
Adjustments to Reconcile Net Losses to Net			
Cash provided by Operating Activities			
Depreciation and Amortization	125,208	65,664	190,872
Increase in Accounts Receivable	(8,101)	-	(8,101)
Decrease in Prepaid Items	5,311	3,043	8,354
Increase or (Decrease) in Accounts Payable	(31,662)	35,225	3,563
Increase in Accrued Liabilities	16,187	-	16,187
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 4,342</u>	<u>\$ 12,815</u>	<u>\$ 17,157</u>

See independent auditor's report and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Introduction

The Town of Marion, Louisiana (hereafter referred to as the Town) was created under the provisions of the Lawrason Act, Louisiana Revised Statute 33:321, in 1909. Therefore, it operates under a Mayor-Board of Aldermen form of government.

The Mayor is elected for a four-year term. The five alderpersons are elected every four years at large. They are compensated for their services.

The Town provides the following services: public safety (police and fire), streets, drainage, sanitation, utilities (water and sewer), recreation, public improvements, planning and zoning and general and administrative services.

The Town is situated in the north part of Union Parish. It had a population of 612 persons per the 2022 U.S. Census. It is currently serving water and sewer customers and employs 7 full and 4 part-time persons as well as a Chief of Police. The position of Chief of Police is elected every four years.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accounting and reporting policies of the Town of Marion, Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Government Units (Revised). The following is a summary of certain significant accounting policies.

B. Financial Reporting Entity

GASB Statement No. 14, The Financial Reporting Entity established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a general-purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB statement No. 14, fiscally independent means that the Town may, without approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes criteria for determining which, if any, component units should be considered part of the Town for financial reporting purposes. GASB Statement No. 61 provides additional criteria for classifying entities as component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the government to impose its will on the organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level or government, or a jointly appointed board.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, no component units were identified for the Town of Marion.

C. Government-Wide Financial Statements

The Town's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Town.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town of Marion's governmental activities.

Program Revenues – Program revenues included in the Statement of Activities are derived directly from parties outside of the Town's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants, contributions that are restricted to meeting the operational or capital requirements of a particular program; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Direct Expenses – The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function.

Indirect Expense – The Town reports all indirect expenses separately on the Statement of Activities. Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

D. Fund Financial Statements

The accounts of the Town of Marion are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Funds of the Town are classified into two categories: governmental and proprietary.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheet. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debt is reported as another financing resource, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. “Measurable” means the amount of the transactions can be determined, and “available” means collectible within the current period or soon thereafter to pay liabilities for the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Town of Marion reports the following major governmental funds:

General Fund – The primary operating fund of the Town, the General Fund, accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Town policy.

ARPA Fund – This special revenue fund of the Town accounts for the receipt of the special funding in response to the COVID pandemic. Expenditures are restricted in use as prescribed in the grant.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Revenues

The governmental funds use the following practices in recording revenues:

Those revenues susceptible to accrual are property taxes, franchise taxes, and charges for service. Fines or permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

Interest earnings are recorded when the investments have matured, and the interest is available.

Expenditures

The governmental funds use the following practices in recording expenditures:

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liabilities are incurred.

Compensated absences are recognized as expenditures when leave is actually taken or when employees, or their heirs, are paid for accrued leave upon retirement or death.

Principal and interest on long-term debt are recognized when due.

Other Financing Sourced (Uses)

The governmental funds use the following practices in recording other financing sources (uses):

Transfers between funds that are not expected to be repaid, sales of fixed assets, and long-term debt proceeds and payments, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on the income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds include:

Enterprise Funds – Account for operation (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b)

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Revenues and Expenses

Operating revenues in the proprietary fund are those that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. Equity Classification

The Town of Marion has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net Investment in Capital Assets: This classification consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted Net Position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted Net Position: Any other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

The Government Fund Financial Statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has no nonspendable funds in the General Fund.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has \$21,850 of restricted funds in the General Fund and \$31,884 in the ARPA Fund.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council typically establishes commitments through the adoption and amendment of the budget. The Town did not have any committed funds for the year ended December 31, 2025.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Council delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town had \$201 of assigned funds in the Capital Projects Fund.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The Town has \$96,730 of unassigned funds in the General Fund.

The Town would typically use Restricted Fund Balances first, followed by Committed Resources, and then Assigned Resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned Resources first to deter the use of these other classified funds.

F. Budgets and Budgetary Accounting

The Town adopts an annual budget for the General Fund, ARPA Fund and Enterprise Funds at their regular public meeting in December each year. The annual budget is introduced at the regular November board meeting. An ordinance is published in the Town's official journal prior to the December meeting for public comments. It is prepared in accordance with the basis of accounting utilized by that fund. Any revisions that alter the total expenditures must be approved by the Board of Alderpersons. Budget amounts shown are as originally adopted or as amended by the Board. Budget amendments are passed on an as-needed basis. The Town is legally required to prepare annual operating budgets for the General Fund and the ARPA Fund. The Town monitors these funds' budgets in comparison with actual results monthly.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and certificates of deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Marion may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

H. Investments

The Town of Marion's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, or government-backed agency securities or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

In accordance with paragraph 69 of GASB Statement No. 72, the Town reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U. S. Treasury obligations.

I. Interfund Receivables and Payables

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

J. Inventories

Inventories of supplies in the Proprietary Fund are not material and are charged to operations as purchased.

K. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns of the government-wide financial statements but are not reported in the governmental fund financial statements. Acquisitions of property and equipment are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$5,000 or more for capitalizing capital assets.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Improvements and replacement of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities and the proprietary fund statement of revenues, expenditures, and changes in net position, with accumulated depreciation reflected in the Statement of Net Position for Governmental Activities and the proprietary funds. The estimated useful life for classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	40 years
Water and Sewer Systems	10-40 years
Furniture and Fixtures	7 years
Vehicles	5 years
Equipment	5 years

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

L. Deferred Outflows of Resources

The Town reports a decrease in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town reported no deferred outflows of resources in the current year.

M. Compensated Absences

Town employees are entitled to ten days' vacation time per year for the first five years of uninterrupted full-time employment. Eighty hours are vested after three months of employment. For any new employee, vested vacation hours are prorated if the employee start day is in the last quarter of the year. After 5 years, each full-time employee receives one hundred and twenty hours of vacation; after ten years, one hundred and sixty hours is received. Employees may carry forward from one year to the other no more than forty hours earned vacation time. Each employee receives the entitled hours on January 1 of each year plus the unused carryforward hours. Eighty hours of sick time is accrued each year for all full-time employees. Sick time is carried forward each year with a maximum accrued sick time of four hundred hours for each employee.

Any vacation time is paid at the termination of employment, while sick time is not guaranteed. The Town also pays employees for eleven holidays, as well as a holiday for their individual birthday.

N. Deferred Inflows of Resources

The Town reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

position. The Town will not recognize the related revenues until a future event occurs. The Town reported no deferred inflows of resources.

O. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient funds and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other funds” or “due to other funds” on the Fund Financial Statements Balance Sheet, as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities’ column.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Q. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. The Town records ad valorem taxes on a cash basis, so no receivables are recorded until year end. Any ad valorem taxes collected within 60 days of year end are considered receivable, so bad debts are not recorded and are considered immaterial. For customers’ utility receivables, the allowance method is used to account for uncollectible amounts. Under this method, an allowance account is set up for what is deemed to be uncollectible.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

R. Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of liability on the Statement of Net Position. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

At December 31, 2025, the Town is leasing a copy machine for \$55 a month.

In August 2005, the Town borrowed \$100,000 from U.S. Department of Agriculture for the fire station project. The Town makes yearly payments due in August each year of \$5,200 each for 40 years.

In June 2011, the Town borrowed \$1,497,000 from the U. S. Department of Agriculture for the construction of two new water wells and an elevated water tank. The payments are made monthly of \$3,545 for the water projects and \$2,843 for the tank projects.

2. Cash and Investments

Custodial Credit Risk - Deposits

The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank failed to pay deposited funds upon demand. Accordingly, the Town had no custodial risk related to its deposits at December 31, 2025.

At December 31, 2025, the Town has cash and cash equivalents and investments (book balances net of overdrafts) in the amount of \$663,577.

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

At December 31, 2025, the Town has bank cash and investments totaling \$734,282 as follows:

Cash in Checking or in Savings	\$ 99,012
Certificates of Deposits (Investments)	56,528
Restricted Assets (Cash)	396,048
Restricted Assets (Investments)	182,694
Total	<u>\$ 734,282</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually accepted to both parties. Marion State Bank had pledged security with a face value of \$957,655 and a market value of \$945,964. Cash, cash equivalents and investments (bank balances), at December 31, 2025, are secured as follows:

Bank Balance	<u>\$ 734,282</u>
Federal Deposit Insurance	250,000
Pledged Securities	<u>484,282</u>
	<u>\$ 734,282</u>

Cash and investments are categorized to give an indication of the level of risk assumed by the Town at December 31, 2025. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institutions, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The Town of Marion has cash and cash equivalents that are covered by federal depository insurance and pledged securities.

At December 31, 2025, the Town had investments of \$240,110. These deposits are covered by pledged securities. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Town of Marion has complied with these requirements of state law.

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Tax notices are usually mailed during November each year and become delinquent after December 31, of the year.

For the Year Ended December 31, 2025, taxes of 8.89 mills were levied on 588 properties with assessed valuations totaling \$9,420,434 and were dedicated as follows:

General Fund 8.89 Mills

Total taxes levied and the corresponding assessed value for the last five years.

<u>Year</u>	<u>Taxes Levied</u>	<u>Assessed Value</u>
2025	\$ 83,748	\$ 9,420,434
2024	87,341	9,824,674
2023	86,541	11,647,496
2022	59,015	7,942,818
2021	56,813	7,646,468

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. Sales Taxes

Sales Taxes are levied by the Union Parish Sales and Use Tax Commission and allocated to the Town according to their percentage of the collections. The Town allocates 60% of the collections to the General Fund and 40% to the Enterprise Fund. The Town collects taxes on 1% of sales and purchases in the Town.

The total sales tax rate for Marion, including parish, state and city taxes is 10.45%. The Lincoln Parish Sales and Use Commission charges the Town a percentage of the collections and only remits the net of the taxes collected to the Town by direct deposit monthly. The total fees deducted from the sales tax collections were \$1,617 during the year. Interest paid to the Town was \$203. The Town records the sales tax revenue at net of these fees.

The Town is dependent on the telephone communications company that operates in the Town for a significant percentage of their collections. This company also purchases technology products which generate sales taxes to the Town, although other businesses in the Town could purchase these same products. For this reason, the exact percentage the telephone company generates for the Town's sale tax collections cannot be determined.

5. Insurance Rebate

The Town receives an insurance rebate to cover the fire protection in the Town. The amount received during 2025 is \$4,976.

6. Receivables

A summary of receivables as of December 31, 2025 is as follows:

General Fund

Property Taxes	\$ 3,672
Sales Taxes	11,325
Garbage Fees	11,450
Franchise Fees	4,915
Receivable - General Fund	<u>31,362</u>
Beer Taxes Due From State of Louisiana	<u>296</u>
Total General Fund	31,658

Enterprise Fund Water/Sewerage

Trade Accounts	66,406
Grant Receivable	157,481
Allowance for Doubtful Accounts	<u>(3,800)</u>
Total Trade Accounts	220,087
Sales Taxes	<u>7,972</u>
Total Enterprise Fund Water/Sewerage	<u>228,059</u>
Total All Funds	<u><u>\$ 259,717</u></u>

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

7. Water & Sewer Statistics

Monthly Rates for Services for 2025 were as follows:

<u>Monthly Rates for Services</u>	<u>Residential Rates</u>	<u>Commercial Rates</u>
<u>Water Rates:</u>		
0 - 2,000 Gallons	\$ 35.00	
Over 2,000 Gallons	\$ 5.60/1,000 Gal.	
0 - 5,000 Gallons		\$ 45.00
Over 5,000 Gallons		\$ 5.85/2,000 Gal.
<u>Sewer Rates:</u>		
0 - 2,000 Gallons of Water Used	\$ 15.00	\$ 30.00
All Customers Over 2,000 Gallons	\$ 2.50/1,000 Gal.	\$ 2.50/1,000 Gal.
<u>Garbage Rates:</u>		
Regular Customers	\$ 15.00	\$ 15.00
Century Data		\$ 350.00 Flat
Century Services		\$ 150.00 Flat
CenturyTel of LA		\$ 50.00 Flat
Sprinkler Meters	No Charge	
Out of Town Meters	No Charge	
Water Meter Tap	\$ 300.00	\$ 350.00
Sewer Installation	\$ 300.00	\$ 400.00
<u>Water Meter Deposit:</u>		
Homeowners	\$ 100.00	
Renters	\$ 200.00	

Late charges are charged at 5% of the total monthly bill. Reconnection charges are \$50 per incident. However, some tapping fees are based on the cost of the work performed and the charge therefore will vary from one installation to another.

The Louisiana Department of Health graded water systems across the state. The Town water system received an F and is in the process of trying to obtain funding and training to improve the quality of the water system.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

8. Restricted Assets

Water/Sewer

Utility Meter Funds - The Town charges a utility deposit for their water customers. These funds are held in cash and investments and are returned to their customers at the termination of utility services after all bills are paid in full.

Water Revenue Bond Series 2011 - The Town is required in the agreement with the USDA Water Revenue Bonds, Series 2011 to fund monthly several cash accounts. Starting on July 20, 2011, and ending June 2051, the Town is required to fund a sinking fund in the monthly amounts of \$6,388. A sum of \$320 per month must be deposited into the Reserve Fund until \$76,656 has been accumulated therein. A sum of \$788 must be deposited monthly into the Short-lived Asset Fund until \$248,000 is on deposit in said Fund. A sum of \$320 per month must be deposited into the contingency fund which sum shall increase to \$767 per month once \$76,656 has been accumulated in the Reserve Fund. All required deposits were made in 2025.

General Fund/Fire Department Building

Public Improvement Bonds, Series 2005 – According to the Bond agreement, the Town set up two funds.

Reserve Fund – The Town must make monthly deposits of \$35 a month to a reserve fund commencing with the month following the completion of and acceptance of the improvements financed with the proceeds of the Bonds. A sum of \$44 per month must be deposited into the Reserve Fund until \$5,200 has been accumulated therein. The Town set up three reserve funds with a carrying balance totaling \$13,833.

Sinking Fund – The Town created a sinking fund to reserve each year's bond payments. The amount of the monthly deposit is \$433 with the last payment due on July 20, 2045. As of the year end, the sinking fund has a \$8,017 balance.

Project Checking Account – During 2011, the Town set up a checking account to be used for capital projects with a balance of \$200. The Town is holding this account open for any future projects. The account is part of the general fund, however, as projects are funded, the cash may be used for other fund's projects as needed. From time to time, the use of the assets in this account may become restricted by agreements with third parties.

These assets consist of cash and investments:

General Fund

Fire Bond Sinking Fund Savings	\$ 8,017
Fire Bond Reserve Fund Savings	3,519
Fire Bond Depreciation Fund Savings	5,157
Fire Bond Contingency Fund Savings	5,157
Total Cash and Investments	<u>\$ 21,850</u>

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Enterprise Fund

Customers' Deposits on Meters Checking	\$ 30,873
Customers' Deposits on Meters CD	19,517
Water Operation & Maintenance CD	27,529
CF Elevated Tank Debt Service Reserve CD	4,399
Water Contingency Fund Savings	56,711
Water Debt Service Reserve Savings	56,711
Water Sinking Fund Savings	37,921
Water Depreciation Short Lived Assets Savings	130,951
Water Depreciation Short Lived Assets CD	<u>132,137</u>
Total Cash and Investments	<u><u>\$ 496,749</u></u>

9. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, infrastructure, and right-to-use leased assets, are reported in the applicable governmental activities column in the government-wide financial statements. Right-to-use leased assets are recognized at the present value of lease payments over the term of the lease, in accordance with GASB Statement No. 87, Leases. The Town's leased assets consist of vehicles used in general government operations.

Right-to-use leased assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Amortization of leased assets is included with depreciation expense in the government-wide financial statements.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<u>Governmental Activities</u>					
Non-Depreciable Assets:					
Land	\$ 45,597	\$ -	\$ -	\$ -	\$ 45,597
Construction in Process	-	-	-	-	-
Depreciable Assets					
Buildings	540,302	-	-	-	540,302
Improvements	366,247	-	-	-	366,247
Equipment and Vehicles	788,186	56,300	(40,980)	-	803,506
Right of use, Vehicles	60,177	-	-	-	60,177
Infrastructure	584,463	-	-	-	584,463
Totals at Historical Cost	2,384,972	56,300	(40,980)	-	2,400,292
Less Accumulated Depreciation:					
Buildings	(276,202)	(12,193)	-	-	(288,395)
Improvements	(129,961)	(7,447)	-	-	(137,408)
Equipment and Vehicles	(741,539)	(14,260)	40,980	-	(714,819)
Right of use, amortization	(8,079)	(12,119)	-	-	(20,198)
Infrastructure	(183,005)	(14,148)	-	-	(197,153)
Total Accumulated Depreciation	(1,338,786)	(60,167)	40,980	-	(1,357,973)
<u>Governmental Activities</u>					
<u>Capital Assets Net</u>	<u>\$ 1,046,186</u>	<u>\$ (3,867)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,319</u>
<u>Business-Type Activities</u>					
Non-Depreciable Assets:					
Land	\$ 33,007	\$ 2,000	-	\$ -	\$ 35,007
Construction in Process	1,842,396	304,147	-	(1,842,396)	304,147
Depreciable Assets					
Buildings	125,236	-	-	-	125,236
Water System	3,748,513	-	-	1,842,396	5,590,909
Sewer System, restated	2,460,623	-	-	-	2,460,623
Furniture and Equipment	254,928	12,373	-	-	267,301
Totals at Historical Cost	8,464,703	318,520	-	-	8,783,223
Less: Accumulated Depreciation:					
Buildings	(62,121)	(4,905)	-	-	(67,026)
Water System	(2,089,678)	(118,875)	-	-	(2,208,553)
Sewer System	(643,548)	(63,409)	-	-	(706,957)
Furniture and Equipment	(243,003)	(3,683)	-	-	(246,686)
Total Accumulated Depreciation	(3,038,350)	(190,872)	-	-	(3,229,222)
<u>Business-Type Activities</u>					
<u>Capital Assets Net</u>	<u>\$ 5,426,353</u>	<u>\$ 127,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,554,001</u>

Depreciation expense for the year ended December 31, 2025 for Governmental Activities is as follows:

General and Administrative	\$ 33,305
Police Protection	4,225
Sanitation	3,071
Culture and Recreation	7,447
	<u>\$ 48,048</u>

Depreciation expense for Business-type activities for the year ended December 31, 2025 was \$190,872.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

The beginning balance of Sewer System capital assets has been restated to correct a prior-period error related to retainage from a CDBG/LCDBG sewer project that had not been recorded in prior years. The correction increased Sewer System capital assets and beginning net position. See Note 20 for additional information regarding the restatement of beginning net position.

Expenses for leased asset activity as of December 31, 2025 are as follows:

Lease expense

Amortization expense	\$ 12,119
Interest on lease liabilities	6,359
Total	<u><u>\$ 18,478</u></u>

10. Pension Plans

In 2001, the Town set up a Simple IRA plan for all employees including the Mayor and the Chief of Police. This plan can be set up by an employer who has 100 or fewer employees who receive at least \$5,000 in compensation from the employer in any of the two preceding calendar years, and who meets certain other requirements. Under a SIMPLE plan employees can choose to make salary reduction contributions rather than receiving these amounts as a part of their regular pay. Salary reduction contributions have to be paid 30 days after the end of the month for which contributions are to be made. Salary reductions can be up to \$15,500 for each employee for the year 2025. The accounts are vested as soon as received by the brokerage firm and belong to the individual. The employer matches either dollar for dollar contribution up to 3% of the employees' compensation or a fixed non-elective contribution of 2% of compensation. The Town matches dollar for dollar up to 3% of the employee's compensation. The Town's portion of the contributions to the plan is \$8,556 for 2025. All contributions were funded by January 2026.

11. Accounts and Other Payables

The following is a summary of payables at December 31, 2025:

<u>Class of Payable</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Accounts	\$ 13,104	\$ 40,414	\$ 53,518
Grant	-	173,943	173,943
Withholding and Payroll Accruals	7,108	28,758	35,866
Customer Deposits	-	27,805	27,805
Total Current Payables	<u><u>\$ 20,212</u></u>	<u><u>\$ 270,920</u></u>	<u><u>\$ 291,132</u></u>

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

12. Long-Term Debt

The following is a summary of long term debt activity for the year ended December 31, 2025:

	Beginning Balance	Additions	Subtractions	Ending Balance	Due within one year
Governmental Activities					
2022 Chevrolet Tahoe	\$ 53,986	\$ -	\$ (12,361)	\$ 41,625	11,308
USDA, 2004	72,133	-	(1,897)	70,236	2,247
Garbage Truck	-	19,900	(3,214)	16,686	16,686
Total Governmental Bonds and Notes Payable	126,119	19,900	(17,472)	128,547	30,241
Compenstated Absences	4,887	8,448	(3,416)	9,919	1,148
Total Governmental Activities	<u>\$ 131,006</u>	<u>\$ 28,348</u>	<u>\$ (20,888)</u>	<u>\$ 138,466</u>	<u>\$ 31,389</u>
Business-Type Activities					
USDA, R-1	\$ 713,845	\$ -	\$ (16,045)	\$ 697,800	\$ 16,657
USDA, R-2	441,708	-	(14,536)	427,172	15,204
Total Business-Type Bonds and Notes Payable	1,155,553	-	(30,581)	1,124,972	31,861
Compensated Absences	8,999	12,760	(11,570)	10,189	9,170
Total Business-Type Activities	<u>\$ 1,164,552</u>	<u>\$ 12,760</u>	<u>\$ (42,151)</u>	<u>\$ 1,135,161</u>	<u>\$ 41,031</u>

Notes payable at December 31, 2025 are comprised of the following:

Public Improvement Bonds, Series 2004

The U.S. Department of Agriculture loaned the Town \$100,000 in bonds that were sold on August 18, 2005 to build a new fire department building. Annual payments of \$5,200 are due on August 18 of each year until 2045 at an annual interest rate of 4.125%. Interest paid in 2025 equaled \$3,063. The bond balance owed at year end is \$70,236. A schedule of annual payments are listed below:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	2,953	2,247	5,200
2027	2,858	2,342	5,200
2028	2,760	2,440	5,200
2029	2,657	2,543	5,200
2030	2,550	2,650	5,200
2031-2035	10,984	15,016	26,000
2036-2040	7,551	18,449	26,000
2041-2045	3,333	24,549	27,882
Total	<u>\$ 35,646</u>	<u>\$ 70,236</u>	<u>\$ 105,882</u>

Water Revenue Bonds Series 2011

Bond R-1

USDA Financing Water System Improvements - Wells and Distribution System

In June 2011, the USDA loaned the Town \$871,000 in bonds that were sold at that time. The bonds used to pay a Community Reach Interim financing loan of \$120,000 with an interest rate of 4% that was used to finance a test well as part of the water wells and distribution piping construction project.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

This financing also paid off an interest free loan from the Louisiana Public Financing in the amount of \$30,000. This loan is also part of the water well test hold project. The rest of the financing is to be used to complete the construction of two water wells and additional lines. This project was completed in 2012.

This note is payable over 40 years, with the first payment of interest only of \$21,953. Commencing July 23, 2012, and on the 23rd day of each month thereafter through June 23, 2051, payments shall consist of equal, fully amortized monthly installments of principal and interest of \$3,545. Each payment shall be applied, first, to the payment of accrued interest and, second, to the payment of principal. The interest rate is 3.75% per annum. The interest paid in 2025 is \$26,495. The outstanding loan balance based on information from the USDA at December 31, 2025, is \$697,800.

A schedule of annual payments are as follows:

Year	Interest	Principal	Total
2026	25,883	16,657	42,540
2027	25,248	17,292	42,540
2028	24,588	17,952	42,540
2029	23,903	18,637	42,540
2030	23,192	19,348	42,540
2031-2035	104,309	108,391	212,700
2036-2040	81,994	130,706	212,700
2041-2045	55,085	157,615	212,700
2046-2050	22,635	190,065	212,700
2051	233	21,137	21,370
Total	\$ 387,070	\$ 697,800	\$ 1,084,870

Bond R-2

USDA Financing Water System Improvements – Water Elevated Tank

With a principal amount of \$626,000, bearing interest at the rate of 4.5% per annum this loan is due each month after June 23, 2012, in the amount of \$2,843 each for 40 years. The last payment is due June 23, 2051. This loan is used to finance the construction of a new elevated water tank that was completed in 2012 totaling \$481,159. The interest paid in 2025 is \$19,580. The outstanding loan balance based on information from the USDA at December 31, 2025, is \$427,171.

The Town drew additional funds from this loan to purchase new fire hydrants and installation of 6" lines on Thomas and Taylor streets of \$97,000. The Town received the unpaid advance from the USDA of \$47,841 in January 2014. This money was used to pay the outstanding balance owed to Riley Engineers and Peck Construction for a total of \$8,159. The Town did not use the rest of the money and sent the balance left on the advance, plus the interest earned on the checking account, and the balance left in the checking account at December 31, 2013 back to the USDA. This amount totaled \$43,516. The USDA applied this amount against the loan balance. The original loan ends in 2051. With the reduction of the amount borrowed, the loan should end in 2044.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

A schedule of annual payments are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	18,912	15,204	34,116
2027	18,213	15,903	34,116
2028	17,483	16,633	34,116
2029	16,719	17,397	34,116
2030	15,919	18,197	34,116
2031-2035	66,263	104,317	170,580
2036-2040	39,996	130,584	170,580
2041-2044	8,885	108,937	117,822
Total	<u>\$ 202,390</u>	<u>\$ 427,172</u>	<u>\$ 629,562</u>

2022 Chevrolet Tahoe Lease

On May 15, 2024, the Town entered into a lease agreement with First Government Lease Co. for a 2022 Chevrolet Tahoe to be used in general government operations. The lease is for a term of 60 months, with monthly payments of \$1,358 and an interest rate of 6.99%. The total amount to be paid over the lease term is \$81,480, of which \$21,580 represents interest. The present value of the lease payments at inception was \$59,900. The first payment is due August 1, 2024, and the final payment is due July 1, 2029.

A schedule of annual payments are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	4,988	11,308	16,296
2027	3,452	12,844	16,296
2028	1,708	14,588	16,296
2029	142	2,885	3,027
Total	<u>\$ 10,290</u>	<u>\$ 41,625</u>	<u>\$ 51,915</u>

Garbage Truck Purchase

On October 22, 2025 the town entered a financing agreement with Second Wind Trucks LLC to purchase a new garbage truck. The financing agreement was for a term of 12 months, with monthly payments of \$1,726 and an interest rate of 7.5%. The total amount to be paid over the financing term is \$20,718 of which \$818 represents interest. The first payment was due December 1, 2025 and the final payment is due November 1, 2026. The balance as of December 31, 2025 was \$16,686.

13. Compensated Absences

In accordance with GASB Statement No. 101, "Compensated Absences", the Town recognizes a liability for compensated absences, including sick leave, when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

In the government-wide financial statements, compensated absences are reported as a liability in the statement of net position. The current portion is the amount expected to be paid or settled within one year and is reported as a current liability; the remainder is reported as a long-term liability. In the governmental fund financial statements, expenditures and liabilities for compensated absences are recognized only to the extent that the amounts are normally expected to be liquidated with expendable available financial resources.

At December 31, 2025, the accrued liability for compensated absences in the government-wide financial statements was:

	Beginning Balance	Additions	Subtractions	Ending Balance	Due within One Year
<u>Governmental Activities</u>					
Compensated Absences	\$ 4,887	\$ 8,448	\$ (3,416)	\$ 9,920	\$ 1,148
<u>Business-Type Activities</u>					
Compensated Absences	\$ 8,999	\$ 12,760	\$ (11,570)	\$ 11,497	\$ 9,170

14. Interfund Operating Transfers In and Out

Interfund operating transfers in and out during the year ended December 31, 2025, were as follows:

	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Major Funds:		
General Fund	\$ -	\$ 17,000
ARPA Fund	-	62,083
Enterprise Fund		
Water	-	-
Sewer	79,083	-
<u>TOTAL</u>	<u>\$ 79,083</u>	<u>\$ 79,083</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

15. Interfund Receivables and Payables

The Water Department collects and bills garbage and sewer fees. Garbage revenue is revenue of the General Fund, while the sewer revenue is revenue of that fund. At December 31, 2024, the Water Department had outstanding billings of \$285 in garbage fees for the General Fund.

The payroll for the Enterprise fund is paid out of the Water fund. The Sewer fund is charged fees each month for overhead paid by the Water fund. The total of these charges is \$35,000.

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Interfund balances at December 31, 2025, were as follows:

<u>Fund</u>	Interfund	
	<u>Receivables</u>	<u>Payables</u>
Major Funds:		
General Fund	\$ 35,738	\$ -
Enterprise Fund		
Water	-	(35,738)
TOTAL	<u>\$ 35,738</u>	<u>\$ (35,738)</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

16. On-Behalf Payments

Certain Town employees in the Town's police department receive supplemental pay from the State of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement total \$14,400.

17. Litigation and Claim

Risk Management handles all defense for the Town, and the Town has threatened litigation as of August 31, 2026. The Town believes the outcome of these lawsuits will not have a material effect on its financial position at December 31, 2025.

18. Risk Management

The Town is exposed to various risk of loss in the areas of health care, general and auto liability, property hazards, and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

19. Other

The Marion Volunteer Fire Department covers the Marion Fire District of Union Parish, with the majority of the fire district being in the rural area. The fire department is divided by two different entities. The major equipment and the buildings are owned by the Town. The volunteer fire fighters are members of a non-profit corporation. The members of the non-profit corporation run the fire department for the Town.

Expenditures of the fire department that are related to the equipment and buildings are paid by the Town. These expenditures of the fire department are funded by an annual fire insurance rebate, which is included in the transactions of the General Fund. According to the Mayor, the purpose of the non-profit corporation is to provide equipment and other support to the Town's fire department. The non-profit's revenue is received from interest, dues, donations, and gross proceeds from the Marion

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Mayhaw Festival. The Town pays some expenses related to the Mayhaw Festival; however, these expenses are limited to advertisements, sanitation, music and security charges. The Town also pays for some of the educational and insurance charges related to the members. The transactions of the Marion Volunteer Fire Department's separate cash accounts were not audited or reviewed other than those transactions covered by the General Fund financial statements. It has been determined that the non-profit corporation is not a component unit of the Town.

20. Prior Period Adjustment

During the year ended December 31, 2025, the Town identified \$23,330 of retainage payable related to a Louisiana Community Development Block Grant sewer project that had not been recorded in the Sewer Fund. Grant revenue related to the transaction was not recorded in the sewer fund and would affect current year's beginning net position. The correction resulted in an increase to Sewer System capital assets and beginning net position of the Sewer Fund. In accordance with GASB Statement No. 100, the correction has been reported as a restatement of beginning net position for the cumulative effect of the prior-period error.

The effect of the prior period adjustment on the Sewer Fund beginning net position is as follows:

	Sewer Fund
Net position, as originally stated	\$1,835,478
Prior period adjustment	23,330
Net position, restated	\$1,858,808

The prior period adjustment also increased Sewer System capital assets by \$23,330. The adjustment affected beginning net position and Sewer System capital assets and did not affect the Sewer Fund's change in net position for the year ended December 31, 2025.

In addition, because the omitted retainage represented an allowable cost incurred under the LCDBG sewer project during fiscal year 2024, federal expenditures reported in the Town's Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2024 were understated by \$23,330. The correction does not affect current-year federal expenditures but should be considered in relation to the previously issued FY2024 SEFA.

21. Going Concern

Management has evaluated the Town of Marion's ability to continue as a going concern for the period required by generally accepted accounting principles for governmental entities. Conditions and events considered by management include the Town's current liquidity position and management's concern regarding the Town's ability to pay bills as they become due.

For the year ended December 31, 2025, the Town reported a decrease in net position in governmental activities of \$281,747. At December 31, 2025, the Town reported unrestricted net position in governmental activities of \$67,046. The Town's business-type activities reported an increase in net position of \$329,824 for the year ended December 31, 2025; however, the enterprise funds reported total operating loss of \$193,718 for the year ended December 31, 2025. At December 31, 2025,

TOWN OF MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

business-type activities reported an unrestricted net position deficit of \$16,246, consisting of unrestricted net position deficits of \$2,778 in the Water Fund and \$13,468 in the Sewer Fund.

Subsequent to year-end and before the financial statements were available to be issued on August 31, 2026, the Town withdrew \$107,000 during June and July 2026 from restricted certificates of deposit and/or savings accounts related to USDA debt. The funds had not been restored as of August 31, 2026. The withdrawals represent suspected noncompliance with applicable USDA debt covenant or reserve requirements, pending confirmation from USDA. Management is evaluating the matter, including the nature and extent of any noncompliance, if any, and the related reporting implications. There has been no communication with USDA.

The possible effects of these conditions and events include reduced liquidity available for restricted debt service or reserve purposes, potential covenant or reserve requirement noncompliance, possible required restoration of restricted funds, and increased pressure on available operating resources. If the Town is unable to restore restricted funds, obtain necessary approvals or waivers, or generate sufficient cash flows, the Town may experience difficulty meeting obligations as they become due.

Management has determined that these conditions and events raise substantial doubt about the Town's ability to continue as a going concern for the next twelve months. The accompanying financial statements have been prepared assuming the Town will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

22. Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through August 31, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MARION, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2025

			Schedule 1
	Budgeted		Variance With
	Amount	Actual	Final Budget
			Positive
			(Negative)
BUDGETARY FUND BALANCE			
BEGINNING OF YEAR	\$ 327,210	\$ 327,210	\$ -
Resources			
Property Taxes	80,000	78,960	(1,040)
Franchise Taxes	57,600	46,211	(11,389)
Sales Taxes	125,000	79,864	(45,136)
Licenses and Permits	52,350	42,427	(9,923)
Intergovernmental	56,960	30,625	(26,335)
Sanitation Fees	70,000	41,665	(28,335)
Fines	110,000	98,388	(11,612)
Interest Income	2,000	1,222	(778)
Miscellaneous	13,235	16,860	3,625
Other financing sources	-	23,925	23,925
Transfers From Other Funds	-	-	-
Total Resources	<u>567,145</u>	<u>460,147</u>	<u>(106,998)</u>
Amounts available for appropriations	<u>894,355</u>	<u>787,357</u>	<u>(106,998)</u>
Charges to appropriations			
Current			
General Government	193,230	260,044	(66,814)
Police Protection	195,192	202,974	(7,782)
Fire Protection	39,350	27,400	11,950
Public Works	74,860	55,147	19,713
Sanitation Department	16,955	25,237	(8,282)
Parks: Culture and Recreation	2,150	3,661	(1,511)
Debt Service	-	21,014	(21,014)
Capital Outlay	-	56,300	(56,300)
Transfers To Other Funds	-	17,000	(17,000)
Total Charges to appropriations	<u>521,737</u>	<u>668,777</u>	<u>(147,040)</u>
BUDGETARY FUND BALANCE			
END OF YEAR	<u>\$ 372,618</u>	<u>\$ 118,580</u>	<u>\$ (254,038)</u>

See accompanying independent auditor's report.

TOWN OF MARION, LOUISIANA
ARPA FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2025

				<u>Schedule 1</u>
	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>
				<u>(Negative)</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR	\$ 93,967	\$ 93,967	\$ 93,967	\$ -
Resources				
Intergovernmental	-	-	-	-
Interest Income	-	-	-	-
Total Resources	-	-	-	-
Amounts available for appropriations	93,967	93,967	93,967	-
Charges to appropriations				
Current				
General Government	-	-	-	-
Police Protection	-	-	-	-
Fire Protection	-	-	-	-
Public Works	-	-	-	-
Sanitation Department	-	-	-	-
Culture and Recreation	-	-	-	-
Repairs and Maintenance	-	-	-	-
Capital Outlay	-	-	-	-
Transfers To Other Funds	-	-	62,083	(62,083)
Total Charges to appropriations	-	-	62,083	(62,083)
BUDGETARY FUND BALANCE				
END OF YEAR	\$ 93,967	\$ 93,967	\$ 31,884	\$ (62,083)

See accompanying independent auditor's report.

TOWN OF MARION, LOUISIANA
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2025

Note: General Budget Practices

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each year. A proposed budget ordinance is published in the Town's official journal several weeks before the scheduled meeting to finalize the budgets. After budgets are published for public inspection, the budgets are adopted through the passage of the ordinance at the Town's December board meeting.

The operating budget is prepared on a basis used by the Town which is basically a cash basis. The Town prepares annual budgets for the general and ARPA funds. Budget amendments are approved by the Town Council and are also approved by ordinance. The Town did not amend the budget during the year.

All budgetary appropriations lapse at the end of each year.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MARION, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO THE ELECTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2025

Alderman Channing Washington	\$	1,200
Alderman Eugene Hoggatt		1,200
Alderman Mark Andrews		1,200
Alderwoman Rhonda Davis		1,200
Alderwoman Tina Harris		1,200
Police Chief Montral Ferguson		55,443
Mayor Danny Smith		12,000

TOWN OF MARION, LOUISIANA
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2025

Agency Head
Danny Smith, Mayor

Salary		\$	12,000
Benefits			
Benefits - Retirement	360		
Travel	<u>1,331</u>		
Total Benefits			<u>1,691</u>
Total		\$	<u><u>13,691</u></u>

TOWN OF MARION, LOUISIANA

LCDBG PROJECTS

BALANCE SHEET

DECEMBER 31, 2025

	Planning Grant	Total
<u>Assets</u>		
Grants Receivable - LCDBG	\$ -	\$ -
Due from Other Funds	-	-
<u>Total Assets</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities and Fund Balance</u>		
Accounts Payable	\$ -	\$ -
Retainage Payable	-	-
Total Liabilities	-	-
<u>Fund Balance</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF MARION, LOUISIANA
LCDBG PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Planning Grant</u>	<u>Total</u>
<u>Revenues</u>		
Grant Proceeds	\$ 20,000	\$ 20,000
Local Sources	-	-
Total	<u>20,000</u>	<u>20,000</u>
<u>Expenses</u>		
Engineering	-	-
Other Professional Services	20,000	20,000
Construction	-	-
Total	<u>20,000</u>	<u>20,000</u>
<u>Excess Revenues Over Expenditures</u>	-	-
<u>Fund Balance - Beginning</u>	<u>-</u>	<u>-</u>
<u>Fund Balance - Ending</u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF MARION, LOUISIANA
JUSTICE SYSTEM FUNDING SCHEDULE – COLLECTING/DISBURSING ENTITY
AS REQUIRED BY ACT 87 OF THE 2020 REGULAR LEGISLATIVE SESSION
CASH BASIS ORESENTATION
FOR THE YEAR ENDED DECEMBER 31, 2025

	First Six Month Period Ended 6/30/2025	Second Six Month Period Ended 12/31/2025
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ -	\$ -
Add: Collections		
Criminal Court Costs/Fees	14,093	30,138
Criminal Fines - Other	30,999	23,158
Subtotal Collections	45,092	53,296
Less: Disbursements to Governments & Nonprofits:		
LA Comm on Law Enforcement - Criminal Fines Other	224	-
DHH-TH/SCI T.F. - Criminal Fines Other	325	-
North Louisiana Crime Lab	-	-
Louisiana Supreme Court - Criminal Fine - Other	48	-
Treasurer, State of Louisiana, CMIS - Criminal Fines - Other	95	-
Union Parish Crimestoppers	190	-
Less: Amounts Retained by Collecting Agency		
Criminal Fines - Other	30,117	30,138
Criminal Court Costs	14,093	23,158
Subtotal Disbursements/Retainage	45,092	53,296
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	\$ -	\$ -

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Honorable Danny Smith, Mayor
Members of the Board of Alderman
Town of Marion, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Marion, Louisiana (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 31, 2026.

Report on Internal Control Over Financial Reporting

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

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; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-04 and 2025-10 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-01 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 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* and which are described in the accompanying schedule of findings and responses as item 2025-02, 2025-03, 2025-05, 2025-06, 2025-07, 2025-08, and 2025-09

Town of Marion, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town's response 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
August 31, 2026

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

2025-01 Segregation of Duties

Criteria: Good internal control procedures require that an entity separate certain duties by personnel.

Condition: Due to the small number of administrative personnel, the Town did not have adequate segregation of duties.

Cause: The Town cannot afford to hire enough people to separate duties.

Effect: The Town could be susceptible to misuse of its assets or fraud.

Recommendation: The Mayor and/or someone on the Town Council should continue to review bank reconciliations and bank statements each month.

Management's Response: The Town feels that the cost of hiring more staff far exceeds its benefits. The Town will have the bank statements and completed bank reconciliation reports reviewed and initiated by the mayor and one alderman monthly once it is complete. The reconciliation report will be attached to the statement and filed for auditing purposes.

2025-02 Unfavorable Budget Variance

Criteria: Louisiana Revised Statute 39:1311 requires the Town to amend its budget if there is a 5% or greater shortage in actual revenues as compared to budgeted revenues or a 5% or greater overage in actual expenditures as compared to budgeted expenditures.

Condition: The Town's actual revenues were lower than budgeted revenues by greater than 5%, and the towns actual expenditures were higher than budgeted expenditures by greater than 5%.

Cause: The Town did not amend its budget during the fiscal year. The town also failed to present financial information to the council during the year to effect budget decisions.

Effect: The Town is not in compliance with state budget law.

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

Recommendation: The Town should review grant revenue classification, review monthly financial statements at council meetings, and make appropriate budget amendments to appropriately plan for expenditures.

Management's response: The town will benefit from a dedicated, better-trained clerk. The Town council will be made aware of their financial responsibilities.

2025-03 Compliance with Annual Filing Deadline for the Louisiana Legislative Auditor

Criteria: Louisiana Revised Statute 24:513 requires that all local auditees submit their audited financial statements to the Louisiana Legislative Auditor (LLA) no later than six months after their fiscal year end.

Condition: The audit report was submitted after the statutory deadline.

Cause: Staffing limitations and turnover in the finance function, combined with incomplete financial records, contributed to these delays. In addition, the Town's engaged audit firm merged with another firm during the audit period, which further delayed the scheduling and completion of the audit.

Effect: The Town is not in compliance with Louisiana reporting requirements, which will prevent the town from receiving state funding. In addition, these delays hinder management's ability to timely address the issues identified in the audit report.

Recommendation: The Town should strengthen its year-end financial reporting process by establishing a clear timeline that ensures records are complete and audit-ready well before the statutory filing deadline. Management should address staffing limitations through cross-training, workload adjustments, or temporary support to reduce delays caused by turnover or resource gaps. The Town should also improve the timeliness and completeness of financial records by performing regular reconciliations and reviews throughout the year. Finally, proactive coordination with the external auditor—particularly during periods of firm transition—will help secure timely scheduling and prevent future reporting delays.

Management's Response: Our financial reporting process will be more proactive and maintain updated, current records. The town has contracted a local CPA to assist the town with consistent and required records.

2025-04 Internal Control Over Accounting Practices

Criteria: An effective system of internal control should provide reasonable assurance that transactions are properly authorized, recorded, and reported in accordance with applicable accounting standards and policies, and that duties are adequately segregated to reduce the risk of error or

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

fraud. Management is responsible for designing, implementing, and maintaining internal controls sufficient to ensure reliable financial reporting.

Condition: The Town has not established or consistently applied sufficient internal controls over key accounting processes, including cash reconciliations, journal entries, revenue recognition and classification, and compliance with established financial policies. During the audit, several control deficiencies were noted, including:

- Bank and general ledger reconciliations contained errors, and reconciling items were not researched or cleared in a timely manner.
- Journal entries were recorded without adequate supporting documentation and lacked evidence of independent review or approval.
- Revenue transactions were recorded in incorrect funds, and certain entries included inappropriate debits to revenue accounts, indicating insufficient review and oversight.
- Subsequent to year end the Town has not been recording or remitting its required justice system funding disbursements.

Cause: The identified weaknesses appear to result from a combination of limited accounting staff, turnover in key finance positions, and the absence of formally documented procedures and monitoring activities. In some cases, management has relied on compensating controls of after-the-fact review rather than implementing preventive and detective controls within the accounting processes.

Effect: The absence of adequately designed and consistently implemented internal controls increases the risk of inaccurate financial reporting and misstatements within the Town's financial records. Errors in accounting processes reduce the reliability of financial information used by management, the governing body, and external stakeholders. These weaknesses also elevate the risk of undetected fraud, unauthorized transactions, and noncompliance with the Town's financial policies. Furthermore, the control deficiencies may lead to audit adjustments, delays in financial reporting, and diminished confidence in the Town's financial management practices.

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

Recommendation: Management should perform a comprehensive assessment of internal controls of all significant accounting processes and:

- Develop and formally document policies and procedures for key accounting cycles.
- Strengthen segregation of duties by reallocating responsibilities, adding review controls, or implementing compensating controls where staffing is limited.
- Establish requirements for timely preparation and independent review of reconciliations and journal entries, including documentation standards,
- Implement ongoing monitoring procedures (such as periodic internal reviews) to ensure that controls are operating as designed and deficiencies are addressed promptly.

Management's response: Accounts receivable is taken at the front desk by the Assistant Clerk. Accounts payable is made by the Town Clerk. All mail is reviewed by the mayor as received and then given to the appropriate department. At all costs where applicable, the only people to sign any outgoing checks will be the Mayor and one alderman. Deposit postings are made in QuickBooks by the Town Clerk. The actual Deposit is taken to the bank by the Assistant Town Clerk. Our contract CPA and the town will develop best practices. All policies will be organized and recorded in an employee handout and saved digitally on the Town Clerk's computer.

2025-05 Operating Losses on the Enterprise Fund

Criteria: The Town should fix and maintain rates and collect charges for all service and facilities to be rendered by the water and sewer system sufficient to provide for the payment of the reasonable and necessary expense of administration, operation and maintenance of the system.

Condition: In 2025 Town had an operating loss of \$193,718 on the business-type activities.

Cause: The current rate structure is insufficient to provide for the payment of the reasonable and necessary expenses of administration, operation, and maintenance of the water and sewer system.

Effect: The Town continues to incur operating losses and struggles to pay bills as they come due, including maintenance to the water and sewer systems, and payroll.

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

Recommendation: We recommend that management and the Council continue to explore options to increase operating revenues and/or decrease expenditures/expenses. Water and sewer rates must be sufficient to operate, maintain, repair, and update the systems.

Management's Response: Our contracted CPA, Mayor, and Town Clerk will explore and recommend adequate utility rates to cover operating losses and maintain expenses to sustain our systems.

2025-06 Unauthorized increase in Mayor's compensation

Criteria: Louisiana R.S. 33:404.1 provides that the board of aldermen shall by ordinance fix the compensation of the mayor and other municipal officers and that the board may by ordinance increase or decrease compensation as permitted. The statute further provides that the compensation of an elected official may not be reduced during the term for which the official is elected. Accordingly, changes to the mayor's compensation should be approved by ordinance of the governing authority and supported by documentation in the official minutes and payroll records.

Condition: During the audit, we noted that the mayor's compensation was increased during the fiscal year without evidence that the board of aldermen adopted an ordinance approving the change. Payroll records reflected the mayor was paid at a rate higher than the previously authorized amount, and the Town could not provide an ordinance, minutes, or other documentation showing the governing authority approved the raise prior to implementation.

Cause: The condition occurred because the Town did not maintain adequate controls to ensure compensation changes for elected officials were authorized by ordinance of the governing authority before being processed through payroll. In addition, management did not ensure the change was independently reviewed and supported by formal documentation.

Effect: Implementing a compensation increase without approval by ordinance of the board of aldermen may result in unauthorized payments from public funds and noncompliance with Louisiana law and local requirements. This condition reduces transparency and accountability and may require corrective action, including calculating the total additional compensation paid and determining whether repayment or other action is warranted.

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

Recommendation: We recommend that the Town strengthen controls to ensure any change to the mayor's compensation is approved by ordinance of the board of aldermen, properly documented, and implemented only after independent review. Management should obtain legal review, calculate the total additional compensation paid, and present the matter to the governing authority for appropriate corrective action, including payroll adjustments if necessary.

Managements response: This ordinance will be voted on at our September 15, 2026 Town Council meeting. The Town council will be presented with this matter.

2025-07 Debt incurred without Louisiana State Bond Commission Approval

Criteria: La. R.S. 39:1410.60 provides that a municipality does not have authority to borrow money, incur debt, issue bonds or other evidences of debt, or pledge uncollected taxes, revenues, or other income for the payment of indebtedness without the consent and approval of the Louisiana State Bond Commission, when otherwise authorized by law. In addition, La. R.S. 39:1410.61 emphasizes that such approval is required before incurring debt or taking related actions, including borrowing money or issuing debt.

Condition: During the audit, we noted the Town entered into loan agreement to purchase a garbage truck on October 22, 2025 in the amount of \$19,900 without evidence of consent and approval from the Louisiana State Bond Commission prior to execution. The Town could not provide documentation of Bond Commission approval, including an approved application, meeting minutes, or related authorization, for the indebtedness.

Cause: The condition occurred because the Town did not have adequate policies, procedures, and monitoring controls to ensure proposed borrowings and other debt arrangements were reviewed for compliance with state requirements and submitted to the Louisiana State Bond Commission for approval before execution. In addition, management did not ensure the transaction was supported by sufficient documentation of required external approvals.

Effect: Incurring debt without the required consent and approval of the Louisiana State Bond Commission may result in noncompliance with Louisiana law and may expose the Town to legal, financial, and

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

administrative consequences, including potential challenges to the validity of the debt and unanticipated costs or restrictions. This condition also reduces transparency and weakens governance over long-term financial obligations.

Recommendation: We recommend the Town consult with legal counsel and the Louisiana State Bond Commission to determine the appropriate corrective action for the indebtedness incurred, including whether post-approval, refinancing, or other remedial steps are necessary. We further recommend the Town implement controls to ensure all future borrowings, debt issuances, leases that constitute debt, or pledges of revenues are evaluated for Bond Commission requirements and receive documented approval prior to execution.

Management's Response: Our Town Council and Mayor will consult with the Louisiana State Bond commission and Town attorney before any future indebtedness is incurred.

2025-08 Suspected Noncompliance With USDA Restricted Reserve Requirements

Criteria: The Town is required to maintain restricted cash balances in certain certificates of deposit and/or savings accounts to comply with USDA debt covenant and/or reserve requirements.

Condition: During June and July 2026, the Town withdrew \$107,000 from restricted certificates of deposit and/or savings accounts related to USDA debt. The funds were not restored as of the date of the auditor's procedures/financial statement issuance. Based on the nature of the restricted accounts and the related USDA debt covenant and/or reserve requirements, the withdrawals represent suspected noncompliance, pending confirmation from USDA.

Cause: The Town withdrew the funds without consulting the USDA for approval or verification of compliance with covenants.

Effect: The Town may be noncompliant with finance-related contractual provisions related to USDA debt covenant and/or reserve requirements. Potential effects may include, but are not limited to, covenant violation, requirement to restore restricted balances, and/or other actions by the lender.

Recommendation: We recommend the Town (1) consult with USDA to confirm the covenant requirements and whether the withdrawals resulted

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

in noncompliance, (2) restore restricted balances, if required, and (3) implement and document controls to monitor restricted account balances and prevent withdrawals from restricted accounts without approval for compliance with applicable debt covenants and reserve requirements.

Management's Response: The Mayor has informed USDA about this matter and they have stated that this can be resolved quickly.

2025-09 Failure to Remit Amounts Collected on Behalf of Other Governments/Nonprofits

Criteria: Act 87 of the 2020 Regular Legislative Session, codified at La. R.S. 24:515.2, requires certain justice system agencies and collecting/dispersing entities to report court costs, fines, fees, and related amounts assessed, collected, retained, disbursed, and received. In addition, amounts collected by the Town on behalf of other governments, agencies, or nonprofit organizations should be remitted to the appropriate recipient agencies in accordance with applicable statutes, ordinances, court-cost schedules, bond or fee authorizations, and other governing requirements.

Condition: During the year ended December 31, 2025, the Town remitted amounts collected on behalf of other governments and nonprofits only for the first half of the fiscal year. The Town did not remit amounts collected for the second half of the fiscal year, covering July 1, 2025 through December 31, 2025, to the applicable recipient agencies. The total amount collected but not remitted as of December 31, 2025 is not fully determined.

Cause: The Town staff did not have adequate training or procedures in place to ensure that amounts collected on behalf of other governments and nonprofit organizations were reconciled and remitted throughout the fiscal year. Management also did not timely identify that second-half collections had not been remitted to the appropriate recipient agencies.

Effect: Failure to remit amounts collected on behalf of other governments and nonprofit organizations may result in noncompliance with applicable laws, regulations, ordinances, and fee requirements. In addition, the Town may be holding funds that are not available for its own operations, which could overstate available cash and create amounts due to other agencies. Delayed remittance may also result in disputes with recipient agencies.

Recommendation: We recommend that the Town reconcile all court costs,

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

finances, fees, and related collections by recipient agency for the fiscal year ended December 31, 2025 and remit all amounts due for the second half of the fiscal year to the appropriate governments and nonprofit organizations. We further recommend that the Town implement written procedures requiring periodic reconciliation and remittance of amounts collected on behalf of others.

Management's Response: All past-due Court Dues are up to date and have been paid. The Town Clerk will, on the first of each month, receive the collected Court Dues Report from the Assistant Town Clerk, and then all current Court Dues will be paid promptly within the required due date.

2025-10 Unrecorded Grant Transactions

Condition: The Town failed to record transactions related to retainage payable associated with a Louisiana Community Development Block Grant (LCDBG) sewer project. Specifically, retainage payable existing at year-end, grant reimbursement funds received for the retainage, and the subsequent disbursement of those funds to the contractor were not recorded in the Town's accounting records.

Criteria: All assets, liabilities, revenues, and expenditures/expenses of the Town should be accurately recorded and maintained in the accounting records in accordance with generally accepted accounting principles. In addition, all transactions flowing through grant accounts should be recorded in the Town's financial records to ensure complete financial reporting.

Cause: The retainage payable and related grant activity were processed outside of the Town's normal accounting system and were not entered into the Town's general ledger.

Effect: Failure to record these transactions resulted in an understatement of capital assets, liabilities, grant revenues, and related expenditures/expenses, which could cause the financial statements to be materially misstated. Additionally, management and governing officials may not have complete financial information available for decision-making purposes.

Recommendation: The Town should establish procedures to ensure that all grant-related transactions, including retainage payable, grant reimbursements, and related disbursements, are recorded in the accounting records in a timely manner and reconciled to supporting grant documentation.

Management's Response: The Town Clerk is creating a separate file for each open grant. All paperwork will be kept in the appropriate file. As deposits are received from the Grant, these will be posted promptly in QuickBooks to the correct account, and the back up will be attached for auditing purposes. All invoices used

TOWN OF MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

to purchase items needed while working on the project covered by the grant will be initialed by the field employee, and a notation will be marked on the invoice indicating which grants this invoice will need to be applied to. The Town will establish proper internal control and grant accounting policies to maintain accurate grant-related transactions.

TOWN OF MARION, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

2024-001 Segregation of Duties

Condition

Due to the small number of administrative personnel, the Town did not have adequate segregation of duties.

Recommendation

The Mayor and/or someone on the Town Council should review bank reconciliations and bank statements each month.

Current Status

Finding is repeated as 2025-001.

2024-002 Unfavorable Budget Variance

Condition:

The Town's actual revenues were lower than budgeted revenues, and actual expenditures for the year exceeded budgeted expenditures, both by greater than five percent.

Recommendation:

The Town should continue to monitor revenues and expenditures throughout the year to ensure actual revenues and expenditures are within the five percent variance of the budgeted revenues and expenditures.

Current Status

Finding is repeated as 2025-02.

2024-003 Compliance with Annual Filing Deadline for the Louisiana Legislative Auditor and the Federal Audit Clearinghouse

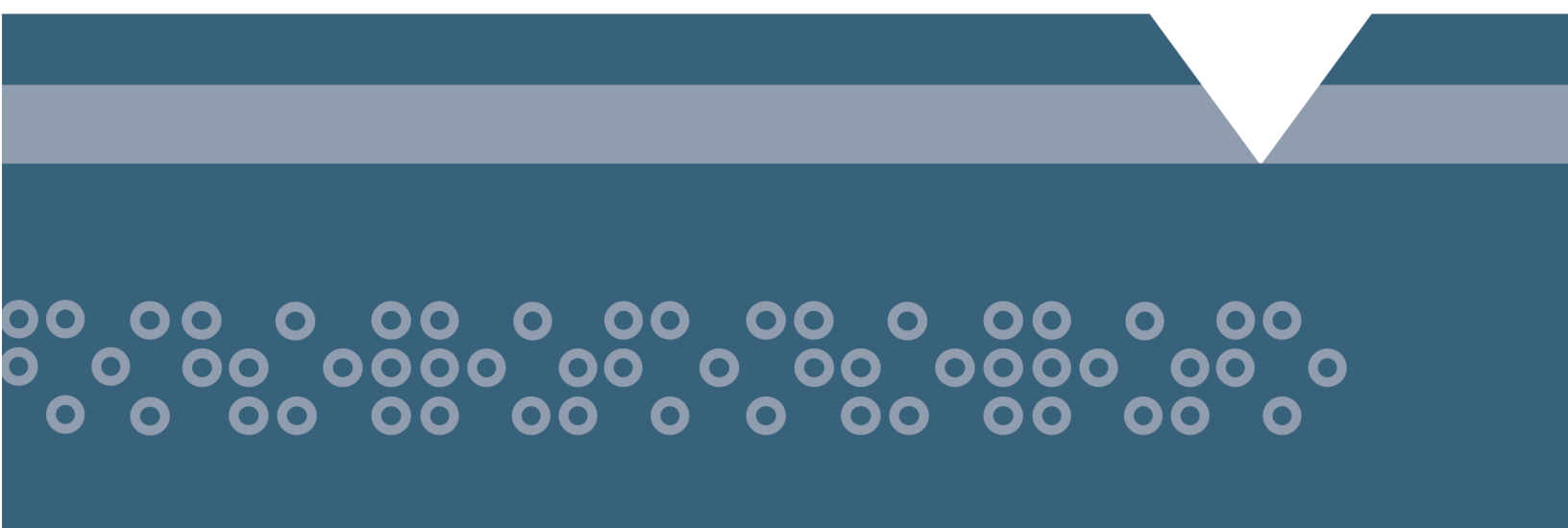
Condition: The audit report was submitted after the statutory deadline.

Recommendation: The Town should strengthen its year-end financial reporting process by establishing a clear timeline that ensures records are complete and audit-ready well before the statutory filing deadline. Management should address staffing limitations through cross-training, workload adjustments, or temporary support to reduce delays caused by turnover or resource gaps. The Town should also improve the timeliness and completeness of financial records by performing regular reconciliations and reviews throughout the year. Finally, proactive coordination with the external auditor—particularly during periods of firm transition—will help secure timely scheduling and prevent future reporting delays.

Current Status: repeated as 2025-03

Town of Marion
Marion, Louisiana

Agreed-Upon Procedures
December 31, 2025





PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Marion
Marion, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025, through December 31, 2025. Town of Marion ("The Town") management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Findings: *Thirty one exceptions for missing policies and procedures.*

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

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

Findings: *Nine exceptions noted for no budget-to-actual comparison being mentioned in board meeting minutes.*

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: *Two exceptions noted with outstanding checks over 12 months and inadequate documentation for the checks.*

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day).
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings: *One exception noted for segregation of duties for collections. As the assistant town clerk prepares and makes the bank deposits and receives the cash.*

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3 above, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g. sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

Findings: *One exception in segregation of duties when it comes to employee responsible for processing payments is prohibited from adding vendor files.*

Credit Cards/Debit Cards/Fuel Cards/P-Cards

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card, obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.])
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
15. Using the list of terminated employees obtained in the Payroll and Personnel procedures, identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Findings: 29 exceptions noted. The Town lacks accurate credit card transaction documentation.

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

16. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

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

Findings: Six exceptions noted for no documentation supported by original receipt, support of business purpose, and documentation of reimbursement being reviewed or approved.

Contracts

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

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings: No exceptions noted.

Payroll and Personnel

18. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related

paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

19. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
20. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
21. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed by required deadlines.

Findings: Six exceptions noted for no pay rate authority forms kept in personnel files.

Ethics

22. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period as required by R.S. 42:1170.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official was notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Findings: No exceptions noted.

Debt Service

24. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing,

obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

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

Findings: *One exception noted for no approval for debt issued during the year.*

Fraud Notice

26. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
27. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: *One exception noted for no fraud posting on the website.*

Information Technology Disaster Recovery/Business Continuity

28. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
29. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure 19. Observe evidence that the selected terminated employees have been removed or disabled from the network.
30. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The

requirements are as follows: a) Hired before June 9, 2020 - completed the training; and b) Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Findings: *We performed the procedure and discussed the results with management.*

Prevention of Sexual Harassment

31. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year, as required by R.S 42:343.
32. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
33. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
 1. Number and percentage of public servants in the agency who have completed the training requirements;
 2. Number of sexual harassment complaints received by the agency;
 3. Number of complaints which resulted in a finding that sexual harassment occurred;
 4. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 5. Amount of time it took to resolve each complaint.

Findings: *Exception noted for no annual sexual harassment report. Entity did not have an annual sexual harassment report for the fiscal period.*

Management's Response

We agree with the results of the procedures and will address the identified exceptions.

We were engaged by the Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance.

Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
August 31, 2026