

**CITY OF VERNON  
VERNON, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023**

**CITY OF VERNON  
VERNON, FLORIDA  
FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2023  
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**CITY OF VERNON  
VERNON, FLORIDA  
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PO Box 6356  
Dothan, Alabama 36302

*Independent Auditor's Report*

Honorable Mayor and  
Members of the City Council  
City of Vernon  
Vernon, Florida

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vernon, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Vernon, Florida's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vernon, Florida, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, 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 City of Vernon, Florida 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.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Vernon, Florida'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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Vernon, Florida'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 City of Vernon, Florida'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 schedules of the City's proportionate share of the net pension liability and of its contributions on pages 47 - 48 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2024 on our consideration of the City of Vernon, Florida'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 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 City of Vernon, Florida's internal control over financial reporting and compliance.

*McDaniel and Associates PC*

***McDaniel & Associates, P.C.***

Dothan, Alabama

August 26, 2024

## **FINANCIAL STATEMENTS**

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 466,428	\$ 4,101	\$ 470,529
Restricted assets	-	52,256	52,256
Investments	10,530	30,894	41,424
Accounts receivable	-	5,224	5,224
Due from other governments	15,283	-	15,283
Due from other funds	535	15,813	16,348
Capital assets:			
Land	249,112	86,988	336,100
Other capital assets, net of depreciation	6,727,784	10,273,654	17,001,438
Total capital assets	6,976,896	10,360,642	17,337,538
<b>TOTAL ASSETS</b>	7,469,672	10,468,930	17,938,602
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	58,067	44,513	102,580
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	58,067	44,513	102,580
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	24,277	7,910	32,187
Customer deposits	-	50,446	50,446
Due to other funds	16,348	-	16,348
Long-term liabilities			
Due within one year	15,601	46,656	62,257
Due in more than one year	77,640	416,506	494,146
Net pension liability	142,539	89,034	231,573
<b>TOTAL LIABILITIES</b>	276,405	610,552	886,957

The accompanying notes are an integral part of these financial statements

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	(4,733)	11,981	7,248
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>(4,733)</u>	<u>11,981</u>	<u>7,248</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,883,655	9,897,480	16,781,135
Restricted for other purposes	-	52,256	52,256
Unrestricted (deficit)	<u>372,412</u>	<u>(58,826)</u>	<u>313,586</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,256,067</u></u>	<u><u>\$ 9,890,910</u></u>	<u><u>\$ 17,146,977</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		Total
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental</b>							
General government	\$ 611,863	\$ 137,862	\$ -	\$ -	\$ (474,001)	\$ -	\$ (474,001)
Public safety	36,683	-	54,483	-	17,800	-	17,800
Highways and streets	91,163	-	-	-	(91,163)	-	(91,163)
Culture and recreation	248,635	-	-	-	(248,635)	-	(248,635)
Interest on long-term debt	5,119	-	-	-	(5,119)	-	(5,119)
Total governmental activities	993,463	137,862	54,483	-	(801,118)	-	(801,118)
<b>Business-Type</b>							
Water, sewer, and garbage	850,642	461,356	-	-	-	(389,286)	(389,286)
Total business-type activities	850,642	461,356	-	-	-	(389,286)	(389,286)
<b>Total Primary Government</b>	<b>\$ 1,844,105</b>	<b>\$ 599,218</b>	<b>\$ 54,483</b>	<b>\$ -</b>	<b>(801,118)</b>	<b>(389,286)</b>	<b>(1,190,404)</b>

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

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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**General Revenues and Transfers**

Taxes			
Property tax, levied for general purposes	102,996	-	102,996
Taxes-other	233,296	-	233,296
Miscellaneous	144,320	-	144,320
Transfers	(178,445)	178,445	-
<b>Total general revenues and transfers</b>	<u>302,167</u>	<u>178,445</u>	<u>480,612</u>
Change in net position	<u>\$ (498,951)</u>	<u>\$ (210,841)</u>	(709,792)
<b>Net position - beginning</b>			17,814,311
<b>Prior period adjustment</b>			<u>42,458</u>
<b>Net positions - beginning, restated</b>			<u>17,856,769</u>
<b>Net position - ending</b>			<u><u>\$ 17,146,977</u></u>

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

**CITY OF VERNON  
VERNON, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	General	City Hall Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 431,784	\$ 34,644	\$ 466,428
Investments	10,530	-	10,530
Due from other governments	15,283	-	15,283
Due from other funds	-	535	535
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 457,597</u>	<u>\$ 35,179</u>	<u>\$ 492,776</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued expenses	\$ 22,647	\$ 1,630	\$ 24,277
Due to other funds	16,348	-	16,348
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilites	38,995	1,630	40,625
<b>FUND BALANCES</b>			
Restricted	-	-	-
Unassigned	418,602	33,549	452,151
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	418,602	33,549	452,151
<b>TOTAL LIABILITES AND FUND BALANCES</b>			
	<u>\$ 457,597</u>	<u>\$ 35,179</u>	<u>\$ 492,776</u>

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

**CITY OF VERNON  
VERNON, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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Total Fund Balances for Governmental Funds	\$ 452,151
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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. Those assets consist of:

Capital assets	11,811,702	
Depreciation	<u>(4,834,806)</u>	6,976,896

Some liabilities, including bonds payable, loans payable, and net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(235,780)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - pensions	58,067	
Deferred inflows of resources - pensions	<u>4,733</u>	

Total Net Position of Governmental Activities	<u><u>\$ 7,256,067</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF VERNON  
VERNON, FLORIDA  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General	City Hall Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 298,296	\$ -	\$ 298,296
Permits, fees, and licenses	84,943	-	84,943
Grants	54,483	-	54,483
Intergovernmental revenues	150,549	-	150,549
Charges for services	49,783	3,136	52,919
Miscellaneous revenues	30,610	1,153	31,763
<b>Total Revenues</b>	<b>668,664</b>	<b>4,289</b>	<b>672,953</b>
<b>Expenditures</b>			
General government	467,089	23,241	490,330
Public safety	19,414	-	19,414
Highways and streets	91,163	-	91,163
Culture and recreation	124,090	-	124,090
Capital outlay	96,400	-	96,400
Debt service:			
Principal retirement	28,143	-	28,143
Interest	5,119	-	5,119
<b>Total Expenditures</b>	<b>831,418</b>	<b>23,241</b>	<b>854,659</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(162,754)</b>	<b>(18,952)</b>	<b>(181,706)</b>
<b>Other Financing Sources (Uses)</b>			
Debt proceeds	54,689	-	54,689
Transfers in (out)	(181,758)	3,313	(178,445)
<b>Total Other Financing Sources (Uses)</b>	<b>(127,069)</b>	<b>3,313</b>	<b>(123,756)</b>
<b>Net Change in Fund Balances</b>	<b>(289,823)</b>	<b>(15,639)</b>	<b>(305,462)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>696,861</b>	<b>49,188</b>	<b>746,049</b>
<b>Prior Period Adjustment</b>	<b>11,564</b>	<b>-</b>	<b>11,564</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR, RESTATED</b>	<b>708,425</b>	<b>49,188</b>	<b>757,613</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 418,602</b>	<b>\$ 33,549</b>	<b>\$ 452,151</b>

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

**CITY OF VERNON  
VERNON, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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Net Changes in Fund Balances - Total Governmental Funds \$(305,462)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay of fixed assets	96,400	
Depreciation	<u>(248,371)</u>	(151,971)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds \$54,689 exceeded repayments \$28,143.

Net repayments less proceeds	(26,546)
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Governmental Funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned are reported as pension expense.

(14,972)

Change in Net Position of Governmental Activities	<u><u>\$(498,951)</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Original Budget	Final Budget	Actual Amounts (GAAP Basis)
<b>Revenues</b>			
Taxes	\$ 347,000	\$ 347,000	\$ 298,296
Licenses and permits	65,000	65,000	84,943
Intergovernmental revenues	40,000	40,000	205,032
Charges for services	50,000	50,000	49,783
Miscellaneous revenues	18,500	18,500	30,610
<b>Total Revenues</b>	<u>520,500</u>	<u>520,500</u>	<u>668,664</u>
<b>Expenditures</b>			
General government	256,744	256,744	467,089
Public safety	67,580	67,580	19,414
Transportation	143,577	143,577	91,163
Capital outlay	-	-	96,400
Culture and recreation	76,586	76,586	124,090
Debt service:			
Principal	-	-	28,143
Interest	-	-	5,119
<b>Total Expenditures</b>	<u>544,487</u>	<u>544,487</u>	<u>831,418</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(23,987)</u>	<u>(23,987)</u>	<u>(162,754)</u>
<b>Other Financing Sources (Uses)</b>			
Debt proceeds	-	-	54,689
Transfers in(out)	-	-	(181,758)
<b>Total Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>(127,069)</u>
<b>Net Change in Fund Balances</b>	<u>(23,987)</u>	<u>(23,987)</u>	<u>(289,823)</u>
<b>FUND BALANCE - BEGINNING</b>	696,861	696,861	696,861
<b>Prior Period Adjustment</b>	11,564	11,564	11,564
<b>TOTAL NET POSITION - BEGINNING OF YEAR, RESTATED</b>	<u>708,425</u>	<u>708,425</u>	<u>708,425</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 684,438</u></u>	<u><u>\$ 684,438</u></u>	<u><u>\$ 418,602</u></u>

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

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF NET POSITION -  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	4,101
Investments		30,894
Accounts receivable		5,224

<b>Total Current Assets</b>		40,219
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**NON-CURRENT ASSETS**

Restricted cash and cash equivalents		52,256
Due from other funds		15,813
Capital Assets:		
Land and constuction in progress		86,988
Buildings		345,575
Improvements other than buildings		14,667,685
Machinery and equipment		364,529
Less: accumulated depreciation		(5,104,135)

<b>Total Non-current Assets</b>		10,428,711
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<b>Total Assets</b>		10,468,930
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**Deferred Outflows of Resources**

Deferred outflows related to pensions		44,513
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**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses		7,910
Bonds and notes payable		46,656

<b>Total Current Liabilities</b>		54,566
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The accompanying notes are an integral part of these financial statements.

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF NET POSITION -  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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<b>Noncurrent Liabilities</b>	
Customer deposits	50,446
Bonds and notes payable after one year	416,506
Net pension liability	<u>89,034</u>
<b>Total Noncurrent Liabilities</b>	<u>555,986</u>
<b>Total Liabilities</b>	610,552
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	11,981
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	9,897,480
Restricted:	
Other purposes	52,256
Unrestricted (deficit)	<u>(58,826)</u>
<b>Total Net Position</b>	<u><u>\$ 9,890,910</u></u>

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

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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<b>OPERATING REVENUES</b>	
Charges for services	\$ 461,356
<b>Total Operating Revenues</b>	461,356
<b>OPERATING EXPENSES</b>	
Salaries and benefits	110,543
Legal and professional	69,839
Insurance	566
Utility service	160,035
Repairs and maintenance	44,331
Operating supplies and miscellaneous	141,040
Depreciation and amortization	315,730
<b>Total Operating Expenses</b>	842,084
<b>OPERATING LOSS</b>	(380,728)
<b>NON-OPERATING EXPENSES</b>	
Interest Expense	(8,558)
<b>Total Non-Operating Expenses</b>	(8,558)
<b>Loss before Transfers</b>	(389,286)
Transfers in	178,445
<b>Change in Net Position</b>	(210,841)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	10,070,857
<b>Prior Period Adjustment</b>	30,894
<b>TOTAL NET POSITION - BEGINNING OF YEAR, RESTATED</b>	10,101,751
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 9,890,910</u>

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

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 473,703
Cash paid to suppliers	(466,108)
Cash paid to employees	<u>(103,818)</u>
<b>Net Cash Used in Operating Activities</b>	(96,223)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	<u>178,445</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	178,445
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid on debt	(8,558)
Principal paid on debt	<u>(81,128)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	(89,686)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>63,821</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 56,357</u></u>

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

**CITY OF VERNON  
VERNON, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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**RECONCILIATION OF CASH AND CASH EQUIVALENTS  
TO THE STATEMENT OF NET POSITION -  
PROPRIETARY FUND**

Cash, Cash Equivalents, and Restricted Cash in Current Assets	\$ 4,101
Restricted Cash and Cash Equivalents in Noncurrent Assets	<u>52,256</u>

<b>TOTAL CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u><u>\$ 56,357</u></u></b>
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**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES**

<b>OPERATING LOSS</b>	<b>\$ (380,728)</b>
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**ADJUSTMENTS**

Depreciation	315,730
Net pension adjustment	6,725
Changes in assets and liabilities:	
(Increase) Decrease in Accounts Receivable	8,383
(Increase) Decrease in Due from Other Governments	346
Increase (Decrease) in Accounts Payable and Accrued Expenses	(50,297)
Increase (Decrease) in Customer Deposits	<u>3,618</u>

<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u><u>\$ (96,223)</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 1- Summary of Significant Accounting Policies**

The financial statements of the City of Vernon, Florida (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

**A. Reporting Entity**

The City of Vernon, Florida was incorporated under Chapter 11778 (No. 443) Laws of Florida, Extraordinary Legislative Session in 1925. The City operates under a Mayor-Council form of Government. The City is governed by an elected mayor and five-member council. The City provides such services as are allowed under Florida law, including public safety (fire), culture, recreation, streets, water and sewer utilities and general administrative services.

The City of Vernon, Florida Utility Department - The City of Vernon, Florida Utility Department serves citizens of the government and is governed by a board which is the same as the City's governing body. The rates for user charges and bond issuance authorizations are approved by the City council and the legal liability for the general obligation portion of the Department's debt remains with the City. The Department is reported as a proprietary fund. The City provides water, sewer, and garbage services to approximately 369 customers.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Preparation**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police, rescue, fire protection, cemetery, recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer, and garbage services are classified as business-type activities.

*Government-Wide Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**B. Measurement Focus, Basis of Accounting, and Financial Statement Preparation, Continued**

*Government-Wide Financial Statements, Continued*

In the government-wide Statement of Net Position both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b), and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's governmental activities and business-type activities (general government, public protection, public works, and utilities). General government revenues (property taxes, retail sales & use taxes, excise taxes, and other taxes) also support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants and contributions). Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants.

Amounts reported as program revenues include 1) charges to customers for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated.

The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**B. Measurement Focus, Basis of Accounting, and Financial Statement Preparation, Continued**

*Fund Financial Statements*

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following fund types are used by the City:

**Governmental Funds**

Governmental Funds are those through which most governments typically are financed. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

City Hall Fund - The City Hall Fund is used to report activity with the funds set aside for expenses of City Hall property.

**Proprietary Funds**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The following is a description of the proprietary funds of the City:

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**B. Measurement Focus, Basis of Accounting, and Financial Statement Preparation, Continued**

**Proprietary Funds, Continued**

Enterprise Fund - The Enterprise Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Enterprise Fund accounts for the operations of the City's Water and Sewer System and Garbage Services.

**Major Funds**

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City Hall Fund is used to report activity with the funds set aside for expenses of City Hall property.

The City reports the sole Enterprise Fund as a major fund.

**Government-Wide Financial Statements**

The government-wide statement of net position and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**B. Measurement Focus, Basis of Accounting, and Financial Statement Preparation, Continued**

**Government-Wide Financial Statements, Continued**

The statement of net position, statement of activities and financial statements of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting exchange, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Real and personal property taxes are recognized in the period for which levied, provided the City has an enforceable legal claim to the resources. Grants, shared revenues, and contributions are recognized when all eligibility requirements have been met.

**Governmental Fund Financial Statements**

The fund financial statements of the General and Special Revenue Funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" means collectible within the current period or within sixty days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred inflows of resources. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity**

**Cash and Cash Equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity, Continued**

**Investments**

The City's investment policies are designed with the intent of ensuring the City's funds are invested in a manner that complies with Florida Statutes. Pursuant to Florida Statute 218.415 and the City's investment policy, the City may invest surplus funds in:

- The Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally registered rating agency.
- Savings accounts in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Certificates of Deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct Obligations of the U.S. Territory.
- Federal agencies and instrumentalities.

**Accounts Receivable**

Governmental Funds - The City considered all governmental fund receivables collectible and as such, no allowance for uncollectible is reported.

Proprietary Fund - The City grants credit to its proprietary fund customers who use its various services, substantially all of whom are local residents or businesses. The City uses the direct write-off method to account for bad debts. The effect on the financial statements of the departure from accounting principles generally accepted in the United States of America is immaterial. No bad debts were written off during the year ended September 30, 2023.

**Interfund Activity**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "due to/from other funds."

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity, Continued**

**Interfund Activity, Continued**

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/ expenses section in proprietary funds.

**Restricted Assets**

Certain assets of the governmental and enterprise funds are required by resolution to be set aside and used for specific purposes; thus, they are not available for general operating purposes. It is the City's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred. Interest incurred during the construction phase on loans obtained for long-term construction projects are capitalized into the cost of the asset.

Property, plant, and equipment are depreciated using the straight-line method over the following

Buildings	33-50
Improvements, other than buildings	2-50
Furniture, machinery, and equipment	3-30

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity, Continued**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting as deferred outflows of resources, deferred outflows related to pensions, reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB 67 and 68. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting as deferred inflows of resources. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB 68 and 75. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

**Compensated Absences**

Vacation pay policies allow an employee to accumulate up to a maximum of 240 hours of paid time off, which will be paid to the employee in the event of termination of employment. Employees accrue 40 hours each of the first two years of employment and 80 hours per year after two years of employment.

All leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts in the government-wide statements consists of unpaid, accumulated annual leave balances. The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the City's governmental fund is recorded as an expenditure and liability in the General Fund. The non-current portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. The amount attributable to the enterprise funds are charged to expense and a corresponding liability in the applicable fund.

The City did not record a liability for compensated absences for the current period as the balance was deemed immaterial.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity, Continued**

**Pension Plans**

Florida Retirement System - Substantially all full-time City employees are participants in the Florida Retirement System (the "System"), a defined benefit, cost sharing, multiple employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement.

Health Insurance Subsidy Program - Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy Program ("HIS"), a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State- administered retirement system in paying the costs of health insurance. Contributions to the HIS plan are included in contributions to the Pension Plan noted above.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position and Fund Equity**

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

*Net Investment in Capital Assets* - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

*Restricted* - Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

*Unrestricted* - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity, Continued**

**Net Position and Fund Equity, Continued**

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Spendable fund balances are reported based on a hierarchy of spending constraints noted below:

*Restricted* - Fund balances that are restricted to specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* - Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.

*Assigned* - Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

*Unassigned* - Fund balances of the general fund that are not constrained for any particular purpose.

When both restricted and unrestricted net position are available, it is the City's policy to use restricted resources first, then unrestricted as needed. The authority to establish, modify, or rescind a commitment or assigned fund balance rests with the City Council. The City's policy is to first apply expenditures toward restricted fund balances and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

**Tax Revenue**

The City's ad valorem taxes are assessed by the Washington County Property Appraiser and collected by the Washington County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30, because though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30.

The current property tax calendar is as follows:

Lien date:	January 1, 2022
Levy date:	November 1, 2022
Due date:	March 31, 2023
Delinquent date:	April 1, 2023

Discounts of 1% for each month taxes are paid prior to March are granted.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**C. Assets, Liabilities, Deferred Inflows (Outflows) of Resources, and Fund Equity, Continued  
Tax Revenue, Continued**

Revenue recognition criteria for property taxes recognizes and accrues property taxes expected to be collected within 60 days of the current period. There were no outstanding property taxes accrued and recognized as revenue at year-end.

**Management Estimates and Assumptions**

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

**Risk Management and Insurance**

The City insures itself against losses from casualty, accident, and dishonesty by purchasing municipal insurance through the Florida League of Cities, Inc. The City believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

**Inventory**

The cost of materials and supplies on hand are not material to the financial statements, and the City has therefore, chosen to report these items and expenditures/ expenses at the time of purchase.

**Note 2- Stewardship, Compliance, and Accountability**

The City uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. The City adopts its budget in accordance with Chapter 166.241 Florida Statutes.
  - a. The City follows an internal hearing process to set the proposed tentative budget and millage.
  - b. Public hearings are then held to adopt both a tentative budget and millage, and a final budget and millage, in accordance with Chapter 166.241, Florida Statutes.
  - c. Budget amendments are made in accordance with applicable Florida Statutes.
2. Budgets are reported for the General Fund, and major Special Revenue Funds.
3. All budgets are adopted in accordance with Generally Accepted Accounting Principles.
4. Florida Statutes do not require adoption of budgets for Debt Service Funds

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 2- Stewardship, Compliance, and Accountability, Continued**

5. Level of Control - Expenditures may not exceed appropriations and are controlled in the following manner
- a. The budget is controlled according to Chapter 166.241, Florida Statutes, at the total fund level.
  - b. Any budget amendments or transfer of funds must be approved by the City Council.

**Note 3 - Cash, Cash Equivalents, and Investments**

Cash and cash equivalents represent cash on hand as well as demand deposits, and certificates of deposit with original maturities of three months or less. Investments are comprised of certificates of deposit with original maturities greater than three months.

**Investments**

Investments are comprised of the following, at amortized cost.

<u>Investment Type</u>	<u>Fair Value</u>	<u>0-1 Years</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-5 Years</u>
Certificates of Deposit	\$ 41,424	\$ 41,424	\$ -	\$ -	\$ -

The City maintains its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City has no formal deposit or investment policy but follows State law as to what deposits and investments are allowed.

Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 4 - Receivables**

The City reported receivables as follows:

General Fund	
Due from Other Governments	<u>\$ 15,283</u>
Enterprise Fund	
Water Fees, Refuse Fees, and Sewer Fees	<u>\$ 5,224</u>

No allowances for uncollectible accounts are considered necessary.

**Note 5 - Capital Assets**

Governmental asset activity for the year ending September 30, 2023 was as follows:

	Beginning Balance	Increases	Deletions	Ending Balance
Governmental Activities:				
Capital Assets				
Not Being Depreciated:				
Land Improvements	\$ 249,112	\$ -	\$ -	\$ 249,112
Total Capital Assets				
Not Being Depreciated	<u>249,112</u>	<u>-</u>	<u>-</u>	<u>249,112</u>
Capital Assets				
Being Depreciated:				
Buildings and Improvements	10,741,707	7,100	-	10,748,807
Equipment	724,482	89,300	-	813,782
Total Capital Assets				
Being Depreciated	<u>11,466,189</u>	<u>96,400</u>	<u>-</u>	<u>11,562,589</u>
Less Accumulated				
Depreciation For:				
Building and Improvements	3,893,762	232,671	-	4,126,433
Equipment	692,672	15,700	-	708,372
Total Accumulated Depreciation	<u>4,586,434</u>	<u>248,371</u>	<u>-</u>	<u>4,834,805</u>
Capital Assets				
Being Depreciated, Net	<u>6,879,755</u>	<u>(151,971)</u>	<u>-</u>	<u>6,727,784</u>
Total Governmental Activities	<u>\$ 7,128,867</u>	<u>\$ (151,971)</u>	<u>\$ -</u>	<u>\$ 6,976,896</u>

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 5 - Capital Assets, Continued**

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 106,557
Public Safety	17,269
Culture/Recreation	<u>124,545</u>
Total	<u><u>\$ 248,371</u></u>

Business Type asset activity for the year ending September 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions</u>	<u>Ending Balances</u>
Business Type:				
Capital Assets				
Not Being Depreciated:				
Land Improvements	<u>\$ 86,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,988</u>
Total Capital Assets				
Not Being Depreciated	<u>86,988</u>	<u>-</u>	<u>-</u>	<u>86,988</u>
Capital Assets				
Being Depreciated:				
Buildings	345,575	-	-	345,575
Improvements other than				
Buildings	14,667,685	-	-	14,667,685
Equipment	<u>364,529</u>	<u>-</u>	<u>-</u>	<u>364,529</u>
Total Capital Assets, Being				
Depreciated	<u>15,377,789</u>	<u>-</u>	<u>-</u>	<u>15,377,789</u>
Less Accumulated				
Depreciation For:				
Building and Improvements	131,156	6,911	-	138,067
Improvements Other than				
Buildings	4,518,329	291,451	-	4,809,780
Equipment	<u>138,920</u>	<u>17,368</u>	<u>-</u>	<u>156,288</u>
Total Accumulated Depreciation	<u>4,788,405</u>	<u>315,730</u>	<u>-</u>	<u>5,104,135</u>

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 5 - Capital Assets, Continued**

Capital Assets, Being				
Depreciated, Net	10,589,384	(315,730)	-	10,273,654
Total Business-Type				
Capital Assets	<u>\$10,676,372</u>	<u>\$ (315,730)</u>	<u>\$ -</u>	<u>\$ 10,360,642</u>

**Note 6 - Long Term Debt**

**Governmental Fund**

Revenue Bond:

\$125,500 Capital Improvement Revenue Bond, payable in annual installments at 5%. Secured by pledged revenue - Local Government Infrastructure Surtax Revenue. \$ 42,350

First Federal Bank Loan

\$54,689 payable in monthly payment of \$1,099 at 7.50%, secured by equipment. 50,891

Total Governmental-Type \$ 93,241

Debt Service requirements to maturity on the City's revenue bond and loan at September 30, 2023, are as follows:

<u>Year Ending September</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 15,601	\$ 5,603	\$ 21,204
2025	16,654	4,555	21,209
2026	17,766	3,073	20,839
2027	18,941	2,233	21,174
2028	14,429	992	15,421
2029	9,850	493	10,343
Totals	<u>\$ 93,241</u>	<u>\$ 16,949</u>	<u>\$ 110,190</u>

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 6 - Long Term Debt, Continued**

**Enterprise Fund**

DEP Note Payable:

\$3,057,193 Clean Water State Revolving Fund Loan payable in 40 semi-annual payments at 1.87% - secured by pledged revenues - Water and Sewer Operations. \$ 135,481

DEP Note Payable:

\$391,868 Wastewater Treatment Facility Construction Loan payable in semiannual payments at .915% - secured by pledged revenues - Water and Sewer Operations. 68,350

DEP Note Payable:

\$586,846 Wastewater Treatment Facility Construction Loan payable in semi-annual payments at 1.40% - secured by pledged revenues - Water and Sewer Operations. 259,331

Total Business-Type Activities \$ 463,162

The following is the debt service requirements for the business type activities note payable and line of credit at September 30, 2023.

<u>Year Ending September</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 37,715	\$ 5,477	\$ 43,192
2025	60,488	5,952	66,440
2026	61,520	4,919	66,439
2027	39,916	3,850	43,766
2028	16,526	3,419	19,945
2029-2033	85,409	14,312	99,721
2034-2038	54,245	9,553	63,798
2039-2043	58,176	5,622	63,798
2044-2047	49,167	1,871	51,038
Totals	<u><u>\$ 463,162</u></u>	<u><u>\$ 54,975</u></u>	<u><u>\$ 518,137</u></u>

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 6 - Long Term Debt, Continued**

Long-term liability activity for the year ended September 30, 2023 was as follows:

**Governmental Activities**

Description	Balance September 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
General Obligation					
Revenue Bond	\$ 47,950	\$ -	\$ 5,600	\$ 42,350	\$ 5,900
Lease Purchase	18,745	-	18,745	-	-
First Federal	-	54,689	3,798	50,891	9,701
Totals	<u>\$ 66,695</u>	<u>\$ 54,689</u>	<u>\$ 28,143</u>	<u>\$ 93,241</u>	<u>\$ 15,601</u>

**Business-Type**

Description	Balance September 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
Water Revenue	\$ 544,290	\$ -	\$ 81,128	\$ 463,162	\$ 46,656
Totals	<u>\$ 544,290</u>	<u>\$ -</u>	<u>\$ 81,128</u>	<u>\$ 463,162</u>	<u>\$ 46,656</u>

Payments on the City's business-type activities are made by the bond debt service accounts.

General Government Fund Type - Capital Improvement Revenue Bonds - Fire Station

The Bond Ordinance adopted November 22, 2000, requires the establishment of certain "trust funds" to ensure repayment of the Capital Improvement Revenue Bonds - Fire Station. A summary of these requirements is as follows:

- A. All cash income derived from the ownership and operation of the project shall be deposited into the "Revenue Fund" on or before the 15th day of each month. Transfers are to be made to certain accounts.
- B. The "Sinking Fund" is to be used exclusively for the purpose of paying principal and interest on the bonds and is to be funded by transferring each month from the "Revenue Fund" one-twelfth of the next annual interest and principal requirements.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 6 - Long Term Debt, Continued**

- C. The "Reserve Account" is to be established by transferring each month from the "Revenue Fund" the sum of one-twelfth of one-tenth of the Maximum Bond Service Requirement until such time as the funds and investments therein shall equal the Maximum Bond Service Requirements. The funds in this account shall be used only for (1) paying the principal of and interest on the bonds in the event that the monies in the "Sinking Fund" shall ever be insufficient to meet such payments, (2) paying the cost of repairing or replacing any damage to the project which shall be caused by an unforeseen catastrophe, (3) construction improvements, and (4) repaying governmental balances.

DEP State Revolving Loan Agreements

The City is required to deposit monthly at least one-sixth of the semiannual loan payments in the loan debt service account per the DEP State Revolving Loan Agreement. No reserve funding is required.

**Note 7 - Pension Plans**

**Defined Benefit Plans**

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services website: ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Florida Retirement System (FRS) Pension plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Section 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 7 - Pension Plans, Continued**

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state- administered retirement system in paying their health insurance costs. Per Chapter 2023-193, Laws of Florida, the level of monthly benefits increased from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently in pay and members not yet in pay. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits**

For employees initially enrolled before July 1, 2011, normal retirement benefits are available to regular class employees who retire with at least six years of service and have reached age 62; the age after 62 the member becomes vested; or with 30 years of service at any age. Special risk class employees may receive normal retirement benefits with at least six years of special risk service after reaching age 55; the age after 55 the member becomes vested; after 25 years of service, consisting of both special risk service and up to four year of wartime military service, and age 52; after 25 years special risk service regardless of age; or with 30 years any creditable service regardless of age.

For employees enrolled after July 1, 2011, regular class employees receive benefits with eight years of service and age 65 or 33 years of service, regardless of age. Special risk class employees are vested with eight years of special risk service and age 60; 30 years of service, consisting of both special risk service and up to four years of wartime military service, and age 57; 30 years of special risk service, regardless of age; or 33 years of any creditable service, regardless of age.

Service retirement benefits are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For employees initially enrolled prior to July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for employees initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/ or class to which the employee belonged when the service credit was earned.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 7 - Pension Plans, Continued**

The System provides for several benefit options, disability benefits and survivor benefits. The cost-of-living adjustment for retirements effective before August 1, 2011 is 3% per year. The cost-of-living adjustment formula for retirees with an effective retirement date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit earned multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions**

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature.

Applicable rates effective September 30, 2023 were:

Class	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
Regular	3.00%	11.91%	14.91%
Special Risk	3.00%	27.83%	30.83%
DROP	N/A	18.60%	18.60%

The above rate is 1.66% for the health insurance subsidy contribution.

Total payroll for the City's employees covered by the System was \$270,449 for the year ended September 30, 2023.

The City's contributions for the year ended September 30, 2023 were \$18,126 to the FRS and \$3,373 to the HIS.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 7 - Pension Plans, Continued**

**Pension Liabilities and Pension Expense**

At September 30, 2023, the City reported a liability for its proportionate shares of the net pension liability. The net pension liability for the FRS Pension Plan and HIS program was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2023. The City's Proportions of the net pension liabilities was based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS	Total
Net pension liability at September 30, 2023	\$ 150,137	\$ 81,436	\$ 231,573
Proportion at:			
June 30, 2023	0.000376781%	0.000512779%	
June 30, 2022	0.000249274%	0.000447594%	
Pension expense, year ended September 30, 2023	\$ 21,960	\$ 3,751	\$ 25,711

**Deferred Outflows/Inflows of Resources Related to Pensions**

At September 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,096	\$ -	\$ 1,192	\$ (191)
Changes in Assumption	9,787	-	2,141	(7,057)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,270	-	42	-

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**Note 7 - Pension Plans, Continued**

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	45,992	-	15,190	-
City Contributions Subsequent to the Measurement Date	6,782	-	1,083	-
Total	\$ 82,927	\$ -	\$ 19,648	\$ (7,248)

**Actuarial Methods and Assumptions**

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program was based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investment is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program used a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB - 2010 base table.

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 7 - Pension Plans, Continued**

The following changes in actuarial assumptions occurred in 2023:

- HIS: The discount rate was modified to reflect the change in the value of the municipal bond
  
- HIS: Chapter 2023-193, Laws of Florida (Senate Bill 7024), increased the level of monthly benefits from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

**Sensitivity Analysis**

The following table demonstrates the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate:

	Current Discount		
	1% Decrease 5.7%	Rate 6.7%	1% Increase 7.7%
FRS			
City's Proportionate			
Net Pension Liability	\$ 256,465	\$ 150,137	\$ 61,181
	1% Decrease 2.54%	Rate 3.54%	1% Increase 4.54%
HIS			
City's Proportionate			
Net Pension Liability	\$ 92,906	\$ 81,436	\$ 71,928

**Pension Plan Fiduciary Net Position**

Detailed information about the FRS Plan's fiduciary net position is available in a separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. The report may be obtained through the Florida Department of Management Services website: [www.dms.myflorida.com](http://www.dms.myflorida.com).

**CITY OF VERNON  
VERNON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 8 - Commitments and Contingencies**

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**Note 9 - Net Working Capital - Proprietary Fund**

The net working capital (current assets less current liabilities) for the Proprietary Fund was (\$14,347).

**Note 10 - Subsequent Events**

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through August 26, 2024. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are no non-recognized subsequent events that require additional disclosure except for those mentioned below.

**Note 11 – Prior Period Adjustment**

The City has determined that two investments were not reported in the prior year.

Government-Wide Financial Statements

The net effect on net position due to this adjustment is as follows: \$ 42,457

Fund Financial Statements

The net effect on net position due to this adjustment is as follows: \$ 42,457

**REQUIRED SUPPLEMENTARY INFORMATION**

**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM  
SCHEDULE OF CITY OF VERNON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST 9 FISCAL YEARS\***

<b>FLORIDA RETIREMENT SYSTEM</b>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's prpotion of the Net Pension Liability	0.000376781%	0.000249274%	0.000265115%	0.000226510%	0.000198354%	0.000221493%	0.000221193%	0.000228712%	0.000244002%
City's proportionate share of the Net Pension Liability	\$ 150,135	\$ 92,752	\$ 20,026	\$ 98,173	\$ 68,310	\$ 66,715	\$ 65,427	\$ 57,750	\$ 31,516
City's covered-employee payroll	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797	\$ 100,969
City's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	55.51%	45.50%	11.13%	52.80%	47.26%	41.37%	43.22%	52.12%	31.21%
Plan fiducuary net postion as a percentage of the total Pension Liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
<b>HEALTH INSURANCE SUBSIDY PROGRAM</b>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's prpotion of the Net Pension Liability	0.000512779%	0.000447594%	0.000472835%	0.000414600%	0.000390086%	0.000429444%	0.000221193%	0.000324901%	0.000327885%
City's proportionate share of the Net Pension Liability	\$ 81,436	\$ 47,407	\$ 58,000	\$ 50,622	\$ 43,647	\$ 45,453	\$ 37,556	\$ 37,866	\$ 33,439
City's covered-employee payroll	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797	\$ 100,969
City's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	30.11%	23.26%	32.25%	27.07%	30.20%	28.19%	24.81%	34.18%	33.12%
Plan fiducuary net postion as a percentage of the total Pension Liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

\*The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information only for the years for which information is available.

**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**SCHEDULE OF CITY OF VERNON'S CONTRIBUTIONS**  
**LAST 9 FISCAL YEARS\***

<b>FLORIDA RETIREMENT SYSTEM</b>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 21,960	\$ 10,115	\$ 10,745	\$ 7,525	\$ 6,280	\$ 6,418	\$ 6,139	\$ 5,578	\$ 5,949
Contributions in relation to the contractually required contribution	(21,960)	(10,115)	(10,745)	(7,525)	(6,280)	(6,418)	(6,139)	(5,578)	(5,949)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797	\$ 100,969
Contributions as a percentage of covered-employee payroll	8.12%	4.96%	5.97%	4.02%	4.35%	3.98%	4.06%	5.03%	5.89%
<b>HEALTH INSURANCE SUBSIDY PROGRAM</b>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 3,751	\$ 2,556	\$ 2,872	\$ 2,389	\$ 2,356	\$ 2,391	\$ 2,022	\$ 1,665	\$ 1,253
Contributions in relation to the contractually required contribution	(3,751)	(2,556)	(2,872)	(2,389)	(2,356)	(2,391)	(2,022)	(1,665)	(1,253)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797	\$ 100,969
Contributions as a percentage of covered-employee payroll	1.39%	1.25%	1.60%	1.28%	1.63%	1.48%	1.34%	1.50%	1.24%

\*The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information only for the years for which information is available.

## **COMPLIANCE SECTION**



PO Box 6356  
Dothan, Alabama 36302

**Independent Accountant's Report on Compliance with Section 218.415,  
Florida Statutes, *Local Government Investment Policies***

Honorable Mayor and  
Members of the City Council  
City of Vernon  
Vernon, Florida

We have examined the compliance of the City of Vernon, Florida with Section 218.415, Florida Statutes for the year ended September 30, 2023. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified criteria referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Vernon, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2023.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and *Rules of the Auditor General*, and it is not suitable for any other purpose.

*McDaniel and Associates PC*

**McDaniel & Associates, P.C.**

Dothan, Alabama  
August 26, 2024



PO Box 6356  
Dothan, Alabama 36302

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of the City Council  
City of Vernon  
Vernon, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vernon, Florida as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Vernon, Florida's basic financial statements, and have issued our report thereon dated August 26, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Vernon, Florida'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 City of Vernon, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Vernon, Florida's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2003-002 and 2007-001 (all repeat) that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City of Vernon, Florida'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 items 2014-001 and 2014-002 (all repeat).

***City of Vernon, Florida's Response to Findings***

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

*McDaniel and Associates PC*

***McDaniel & Associates, P.C.***

Dothan, Alabama

August 26, 2024

## **SCHEDULE OF FINDINGS**

**CITY OF VERNON  
VERNON, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2023**

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**Item 2003-002 - Segregation of Duties (Repeat)**

Criteria - Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition - There is a lack of segregation of duties among the City's personnel.

Effect - Transactions could be mishandled.

Cause - There are a limited number of personnel for certain functions and procedures have not been implemented to create proper segregation of duties.

Recommendation - Procedures should be put in place to ensure that duties are separated as much as possible. Alternative controls should be used to compensate for lack of separation.

Response - The City agrees with this finding. However, due to the additional expense required to establish proper segregation of duties, a recommendation to correct this weakness is cost prohibitive.

**Item 2007-001 - Financial Statement Preparation Knowledge (Repeat)**

Criteria - The City should obtain sufficient knowledge in order to prepare financial statements including full note disclosures in accordance with accounting principles generally accepted in the United States of America.

Condition - The City lacks sufficient knowledge to effectively prepare financial statements and related notes.

Effect - Financial statement preparation and the review process could be insufficient.

Cause - There are a limited number of training opportunities in order to further the City's knowledge of preparing financial statements and full note disclosures in accordance with accounting principles generally accepted in the United States of America.

**CITY OF VERNON  
VERNON, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2023**

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**Item 2007-001 - Financial Statement Preparation Knowledge (Repeat) (Continued)**

Recommendation - The City should increase their knowledge of the applicable standards to sufficiently allow them to prepare financial statements including full note disclosures.

Response - The City agrees with this finding and is currently working to increase their knowledge of the applicable standards in order to prepare financial statements including full note disclosures.

**Item 2014-001 -Timeliness of Submission of Audit Report (Repeat)**

Criteria - The City of Vernon, Florida is required to deliver their audit report to the Florida Auditor General within nine months after the end of the audit period.

Condition - The City did not file their audit report with the Florida Auditor General within nine months after the end of the audit period as required by Florida Statute 218.39(1).

Effect - The City is in violation of Florida Statute 218.39(1).

Cause - The City's records were not made available in a timely manner in order to facilitate the completion of the audit within nine months after the end of the audit period.

Recommendation - The City should have controls in place to have their financial records available for audit in a timely manner after the fiscal year end. All reports are due nine months after the end of the audit period. Therefore, time should be allowed for the audit process to occur within the required parameters.

Response - Due to the many changes of staff, recordkeeping has been unorganized and it was difficult for the new clerk to follow what actions had been taken. Policy and procedures are being reviewed by City Council to help streamline this procedure.

**CITY OF VERNON  
VERNON, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2023**

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**Item 2014-002 - Violation of Capital Improvement Revenue Bond Ordinance (Repeat)**

Criteria - The City of Vernon, Florida is required by bond ordinance to transfer specific amounts monthly and yearly into a Sinking Fund and a Reserve Fund.

Condition - The City did not transfer the required amounts into the Sinking and Reserve Funds.

Effect - The City is in violation of the Capital Improvement Revenue Bond Ordinance.

Cause - Due to changes in City staff, the transfers required by the Bond Ordinance were inadvertently not done.

Recommendation - The City should ensure that proper amounts are transferred in accordance with the Bond Ordinance.

Response - Due to the many changes in staff it was difficult for staff to follow what actions had been taken. Policy and procedures are being reviewed by City Council to ensure proper procedures are followed.



PO Box 6356  
Dothan, Alabama 36302

*Independent Auditor's Report to Management*

Honorable Mayor and Members of the City Council  
City of Vernon  
Vernon, Florida

***Report on the Financial Statements***

We have audited the financial statements of the City of Vernon, Florida as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated August 26, 2024.

***Auditor's Responsibility***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

***Other Reporting Requirements***

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated August 26, 2024, should be considered in conjunction with this management letter.

***Prior Audit Findings***

Section 10.554(1)(i)l., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

The management letter items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding#	2021-22 FY Finding#	2020-21 FY Finding#
2012-002	2012-002	2012-002

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding#	2021-22 FY Finding#	2020-21 FY Finding#
2003-002	2003-002	2003-002
2007-001	2007-001	2007-001
2014-001	2014-001	2014-001
2014-002	2014-002	2014-002

***Official Title and Legal Authority***

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

***Financial Condition and Management***

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Vernon, Florida has met one or more of the conditions described in Section 218.503(1) Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City of Vernon, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Vernon, Florida. It is management's responsibility to monitor the City of Vernon, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See items below under Current Year Findings for our recommendations.

***Additional Matters***

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrant the attention of those charged with governance. In connection with our audit, we did not note any such findings.

***Purpose of this Letter***

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

***Current Year Findings***

**2012-002 (Repeat)**

It was noted during the audit that the City's Utility Customer Deposit Listing is not reconciled to the Utility Deposit bank account or the General Ledger. It is recommended that these items be reconciled monthly in order to strengthen internal controls. This item remains.

Response - City officials are aware of the need to reconcile all accounts on a regular basis. The City will put forth a policy for regular reconciliations of all necessary accounts.

*McDaniel and Associates PC*

***McDaniel & Associates, P.C.***

Dothan, Alabama

August 26, 2024