

**CITY OF VERNON
VERNON, FLORIDA**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

**CITY OF VERNON
VERNON, FLORIDA
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2025
C O N T E N T S**

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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, 2025, 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, 2025, 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 49 - 50 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 6, 2026 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 & Associates, P.C.

Dothan, Alabama

August 6, 2026

FINANCIAL STATEMENTS

**CITY OF VERNON
VERNON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 37,647	\$ 17,545	\$ 55,192
Restricted assets	-	52,436	52,436
Investments	10,590	30,894	41,484
Accounts receivable	135	46,522	46,657
Due from other governments	15,423	446	15,869
Due from other funds	535	15,813	16,348
Capital assets:			
Land	249,112	86,988	336,100
Other capital assets, net of depreciation	6,429,099	9,662,509	16,091,608
Total capital assets	6,678,211	9,749,497	16,427,708
TOTAL ASSETS	6,742,541	9,913,153	16,655,694
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	60,706	41,065	101,771
TOTAL DEFERRED OUTFLOWS OF RESOURCES	60,706	41,065	101,771
LIABILITIES			
Accounts payable and accrued expenses	9,069	21,303	30,372
Customer deposits	-	50,801	50,801
Due to other funds	16,348	-	16,348
Long-term liabilities:			
Due within one year	19,498	61,520	81,018
Due in more than one year	51,742	303,929	355,671
Net pension liability	124,975	76,429	201,404
TOTAL LIABILITIES	221,632	513,982	735,614

The accompanying notes are an integral part of these financial statements

**CITY OF VERNON
VERNON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	42,288	37,505	79,793
TOTAL DEFERRED INFLOWS OF RESOURCES	42,288	37,505	79,793
NET POSITION			
Net investment in capital assets	6,606,971	9,384,048	15,991,019
Restricted for other purposes	-	52,436	52,436
Unrestricted (deficit)	(67,644)	(33,753)	(101,397)
TOTAL NET POSITION	<u>\$ 6,539,327</u>	<u>\$ 9,402,731</u>	<u>\$ 15,942,058</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, 2025**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental	Expenses						
	\$ 661,747	\$ 92,018	\$ 488	\$ -	\$ (569,241)	\$ -	\$ (569,241)
	147,124	-	19,638		(127,486)	-	(127,486)
	39,513	-	27,062	100,772	88,321	-	88,321
	189,338	29,269	16,825	-	(143,244)	-	(143,244)
	4,828	-	-	-	(4,828)	-	(4,828)
	1,042,550	121,287	64,013	100,772	(756,478)	-	(756,478)
Business-Type							
	1,025,984	518,459	178,953	-	-	(328,572)	(328,572)
	1,025,984	518,459	-	-	-	(328,572)	(328,572)
Total Primary Government	<u>\$ 2,068,534</u>	<u>\$ 639,746</u>	<u>\$ 64,013</u>	<u>\$ 100,772</u>	<u>(756,478)</u>	<u>(328,572)</u>	<u>(1,085,050)</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, 2025**

General Revenues and Transfers			
Taxes			
Property tax, levied for general purposes	131,724	-	131,724
Taxes-other	252,172	-	252,172
Miscellaneous	153,419	-	153,419
Transfers	(110,978)	110,978	-
Total general revenues and transfers	426,337	110,978	537,315
Change in net position	\$ (330,141)	\$ (217,594)	(547,735)
Net position - beginning			16,489,793
Net position - ending			\$ 15,942,058

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

**CITY OF VERNON
VERNON, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	General	City Hall Fund	Total Governmental Funds
ASSETS			
Cash	\$ 34,926	\$ 2,721	\$ 37,647
Investments	10,590	-	10,590
Accounts receivable	135	-	135
Due from other governments	15,423	-	15,423
Due from other funds	-	535	535
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 61,074</u>	<u>\$ 3,256</u>	<u>\$ 64,330</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 9,069	\$ -	\$ 9,069
Due to other funds	16,348	-	16,348
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	25,417	-	25,417
FUND BALANCES			
Unassigned	35,657	3,256	38,913
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	35,657	3,256	38,913
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 61,074</u>	<u>\$ 3,256</u>	<u>\$ 64,330</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, 2025**

Total Fund Balances for Governmental Funds	\$ 38,913
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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	12,055,676	
Depreciation	<u>(5,377,465)</u>	6,678,211

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.	(196,215)
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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	60,706
Deferred inflows of resources - pensions	<u>(42,288)</u>

Total Net Position of Governmental Activities	<u><u>\$ 6,539,327</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, 2025**

	General	City Hall Fund	Total Governmental Funds
Revenues			
Taxes	\$ 331,905	\$ -	\$ 331,905
Permits, fees, and licenses	83,335	-	83,335
Grants	164,786	-	164,786
Intergovernmental revenues	166,086	-	166,086
Charges for services	27,100	10,853	37,953
Miscellaneous revenues	39,310	10	39,320
Total Revenues	812,522	10,863	823,385
Expenditures			
General government	497,616	22,204	519,820
Public safety	133,607	-	133,607
Highways and streets	39,513	-	39,513
Culture and recreation	62,843	-	62,843
Capital outlay	110,334	-	110,334
Debt service:			
Principal retirement	17,187	-	17,187
Interest	4,828	-	4,828
Total Expenditures	865,928	22,204	888,132
Deficiency of Revenues Over Expenditures	(53,406)	(11,341)	(64,747)
Other Financing Sources (Uses)			
Debt proceeds	9,897	-	9,897
Transfers in (out)	(124,507)	13,529	(110,978)
Total Other Financing Sources (Uses)	(114,610)	13,529	(101,081)
Net Change in Fund Balances	(168,016)	2,188	(165,828)
FUND BALANCE - BEGINNING	203,673	1,068	204,741
FUND BALANCE - ENDING	\$ 35,657	\$ 3,256	\$ 38,913

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, 2025**

Net Changes in Fund Balances - Total Governmental Funds	\$(165,828)
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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	110,334	
Depreciation	<u>(281,110)</u>	(170,776)

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 repayments of \$17,187 exceeded proceeds \$9,897.

Net repayments less proceeds	7,290
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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.

(827)

Change in Net Position of Governmental Activities	<u><u>\$(330,141)</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, 2025**

	Original Budget	Final Budget	Actual Amounts (GAAP Basis)
Revenues			
Taxes	\$ 510,073	\$ 510,073	\$ 331,905
Licenses and permits	65,000	65,000	83,335
Grants	-	-	164,786
Intergovernmental revenues	37,000	37,000	166,086
Charges for services	77,500	77,500	27,100
Miscellaneous revenues	2,647	2,647	39,310
Total Revenues	<u>692,220</u>	<u>692,220</u>	<u>812,522</u>
Expenditures			
General government	289,813	289,813	497,616
Public safety	118,617	118,617	133,607
Highways and streets	186,790	186,790	39,513
Culture and recreation	97,000	97,000	62,843
Capital outlay	-	-	110,334
Debt service:			
Principal	-	-	17,187
Interest	-	-	4,828
Total Expenditures	<u>692,220</u>	<u>692,220</u>	<u>865,928</u>
Deficiency of			
Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(53,406)</u>
Other Financing Sources (Uses)			
Debt proceeds	-	-	9,897
Transfers in (out)	-	-	(124,507)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(114,610)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(168,016)</u>
FUND BALANCE - BEGINNING	<u>684,438</u>	<u>684,438</u>	<u>203,673</u>
FUND BALANCE - ENDING	<u>\$ 684,438</u>	<u>\$ 684,438</u>	<u>\$ 35,657</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, 2025**

ASSETS

Current Assets

Cash and cash equivalents	\$ 17,545
Investments	30,894
Accounts receivable	46,522
Due from other governments	<u>446</u>

Total Current Assets 95,407

NON-CURRENT ASSETS

Restricted cash and cash equivalents	52,436
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	359,449
Less: accumulated depreciation	<u>(5,710,200)</u>

Total Non-current Assets 9,817,746

Total Assets 9,913,153

Deferred Outflows of Resources

Deferred outflows related to pensions	41,065
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LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	21,303
Bonds and notes payable	61,520
Customer deposits	<u>50,801</u>

Total Current Liabilities 133,624

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, 2025**

Noncurrent Liabilities	
Bonds and notes payable after one year	303,929
Net pension liability	<u>76,429</u>
Total Noncurrent Liabilities	<u>380,358</u>
Total Liabilities	513,982
Deferred Inflows of Resources	
Deferred inflows related to pensions	37,505
NET POSITION	
Invested in capital assets, net of related debt	9,384,048
Restricted:	
Other purposes	52,436
Unrestricted (deficit)	<u>(33,753)</u>
Total Net Position	<u><u>\$ 9,402,731</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, 2025**

OPERATING REVENUES	
Charges for services	\$ 518,459
Total Operating Revenues	518,459
OPERATING EXPENSES	
Salaries and benefits	144,523
Legal and professional	217,557
Insurance	-
Utility service	183,814
Repairs and maintenance	25,008
Operating supplies and miscellaneous	146,255
Depreciation and amortization	302,730
Total Operating Expenses	1,019,887
OPERATING LOSS	(501,428)
NON-OPERATING INCOME/(EXPENSES)	
Intergovernmental revenue - state	178,953
Interest expense	(6,095)
Total Non-Operating Income/(Expenses)	172,858
Loss before Transfers	(328,570)
Transfers in	110,978
Change in Net Position	(217,592)
TOTAL NET POSITION - BEGINNING OF YEAR	9,620,323
TOTAL NET POSITION - END OF YEAR	<u>\$ 9,402,731</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, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 511,768
Cash paid to suppliers	(580,578)
Cash paid to employees	<u>(144,129)</u>
Net Cash Used in Operating Activities	(212,939)

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

Transfers in	110,978
Intergovernmental revenue	<u>178,953</u>
Net Cash Provided by Noncapital Financing Activities	289,931

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Interest paid on debt	(6,095)
Principal paid on debt	<u>(60,345)</u>
Net Cash Used in Capital and Related Financing Activities	(66,440)

Net Increase in Cash and Cash Equivalents	10,552
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CASH AND CASH EQUIVALENTS - BEGINNING	<u>59,429</u>
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CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 69,981</u></u>
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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, 2024**

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

Cash, Cash Equivalents, and Restricted Cash in Current Assets	\$ 17,545
Restricted Cash and Cash Equivalents in Noncurrent Assets	<u>52,436</u>

TOTAL CASH AND CASH EQUIVALENTS - ENDING \$ 69,981

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

OPERATING LOSS \$(501,428)

ADJUSTMENTS

Depreciation	302,730
Miscellaneous revenue	-
Net pension adjustment	394
Changes in assets and liabilities:	
(Increase) Decrease in Accounts Receivable	(7,381)
(Increase) Decrease in Due from Other Governments	391
Increase (Decrease) in Accounts Payable and Accrued Expenses	(7,944)
Increase (Decrease) in Customer Deposits	<u>299</u>

**NET CASH USED IN
OPERATING ACTIVITIES** \$ (212,939)

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

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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 370 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, 2025**

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, 2025**

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, 2025**

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, 2025**

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, 2025**

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, 2025.

Interfund Activity

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Outstanding balances between funds are reported as due to/from other funds. Any residual balances between governmental activities and business-type activities are reported in the government-wide financial statements.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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.

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 estimated useful lives:

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, 2025**

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, 2025**

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.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

Net Position and Fund Equity, Continued

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.

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.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

Tax Revenue, Continued

The current property tax calendar is as follows:

Lien date:	January 1, 2025
Levy date:	November 1, 2025
Due date:	March 31, 2026
Delinquent date:	April 1, 2026

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

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.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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
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	\$ 41,484	\$ 41,484	\$ -	\$ -	\$ -

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.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

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.

Note 4 - Receivables

The City reported receivables as follows:

Enterprise Fund

Water Fees, Refuse Fees, and Sewer Fees	<u>\$ 46,522</u>
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No allowances for uncollectible accounts are considered necessary.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 5 - Capital Assets

Governmental asset activity for the year ending September 30, 2025 was as follows:

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Governmental Activities:				
Capital Assets				
Not Being Depreciated:				
Land Improvements	\$ 249,112	\$ -	\$ -	\$ 249,112
Construction in Progress	79,120	100,771	(179,891)	-
Total Capital Assets				
Not Being Depreciated	328,232	100,771	(179,891)	249,112
Capital Assets				
Being Depreciated:				
Buildings and Improvements	10,771,898		179,891	10,951,789
Equipment	845,212	9,563	-	854,775
Total Capital Assets				
Being Depreciated	11,617,110	9,563	179,891	11,806,564
Less Accumulated Depreciation For:				
Building and Improvements	4,360,933	251,692	-	4,612,625
Equipment	735,422	29,418	-	764,840
Total Accumulated Depreciation	5,096,355	281,110	-	5,377,465
Capital Assets				
Being Depreciated, Net	6,520,755	(271,547)	179,891	6,429,099
Total Governmental Activities	\$ 6,848,987	\$ (170,776)	\$ -	\$ 6,678,211

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 140,559
Public Safety	14,056
Culture/Recreation	126,495
Total	\$ 281,110

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 5 - Capital Assets, Continued

Business Type asset activity for the year ending September 30, 2025 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balances
Business Type:				
Capital Assets				
Not Being Depreciated:				
Land Improvements	\$ 86,988	\$ -	\$ -	\$ 86,988
Total Capital Assets				
Not Being Depreciated	86,988	-	-	86,988
Capital Assets				
Being Depreciated:				
Buildings	345,575	-	-	345,575
Improvements other than				
Buildings	14,667,685	-	-	14,667,685
Equipment	359,449	-	-	359,449
Total Capital Assets, Being				
Depreciated	15,372,709	-	-	15,372,709
Less Accumulated				
Depreciation For:				
Building and Improvements	144,978	6,912	-	151,890
Improvements Other than				
Buildings	5,091,246	287,133	-	5,378,379
Equipment	171,246	8,685	-	179,931
Total Accumulated Depreciation	5,407,470	302,730	-	5,710,200
Capital Assets, Being				
Depreciated, Net	9,965,239	(302,730)	-	9,662,509
Total Business-Type				
Capital Assets	\$ 10,052,227	\$ (302,730)	\$ -	\$ 9,749,497

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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. \$ 30,250

First Federal Bank Loan:

\$54,689 payable in monthly payment of \$1,099 at 7.50%, secured by equipment. 31,625

John Deere Loan:

\$9,897 payable in monthly payment of \$202 at 7.99%, secured by equipment. 9,365

Total Governmental-Type Activities Obligations \$ 71,240

Debt Service requirements to maturity on the City's revenue bond and loan at September 30, 2025, are as follows:

Year Ending September	Principal	Interest	Totals
2026	19,498	3,759	23,257
2027	20,817	2,776	23,593
2028	17,351	1,379	18,730
2029	12,050	711	12,761
	1,524	44	1,568
Totals	<u>\$ 71,240</u>	<u>\$ 8,669</u>	<u>\$ 79,909</u>

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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. \$ 68,251

DEP Note Payable:

\$391,868 Wastewater Treatment Facility Construction Loan payable in semiannual payments at .915% - secured by pledged revenues - Water and Sewer Operations. 56,319

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. 240,879

Total Business-Type Activities \$ 365,449

The following is the debt service requirements for the business type activities note payable and line of credit at September 30, 2025.

<u>Year Ending September</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 61,520	\$ 4,919	\$ 66,439
2027	39,194	3,850	43,044
2028	16,526	3,419	19,945
2029	16,725	3,219	19,944
2030	16,927	3,017	19,944
2031-2035	74,194	12,351	86,545
2036-2040	55,784	8,014	63,798
2041-2045	59,827	3,971	63,798
2046-2047	24,752	787	25,539
Totals	<u>\$ 365,449</u>	<u>\$ 43,547</u>	<u>\$ 408,996</u>

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 6 - Long Term Debt, Continued

Long-term liability activity for the year ended September 30, 2025 was as follows:

Governmental Activities

Description	Balance September 30, 2024	Additions	Reductions	Balance September 30, 2025	Due Within One Year
General Obligation					
Revenue Bond	\$ 36,450	\$ -	\$ 6,200	\$ 30,250	\$ 6,500
First Federal	42,080	-	10,455	31,625	11,266
	-	9,897	532	9,365	1,732
Totals	<u>\$ 78,530</u>	<u>\$ 9,897</u>	<u>\$ 17,187</u>	<u>\$ 71,240</u>	<u>\$ 19,498</u>

Business-Type

Description	Balance September 30, 2024	Additions	Reductions	Balance September 30, 2025	Due Within One Year
Water Revenue	\$ 425,794	\$ -	\$ 60,345	\$ 365,449	\$ 61,520
Totals	<u>\$ 425,794</u>	<u>\$ -</u>	<u>\$ 60,345</u>	<u>\$ 365,449</u>	<u>\$ 61,520</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, 2025**

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).

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. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. 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, 2025**

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 Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. 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 Provided

Benefits under the FRS Pension Plan 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 members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members 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 member belonged when the service credit was earned.

Benefits under the HIS Program are not guaranteed and are subject to annual State legislature approval. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$7.50. The minimum payment is \$45 and the maximum payment is \$225 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. The employer's contribution rates as of September 30, 2025 were as follows:

	Employee Contribution	Employer Contribution	Total Contribution
Class	Rate	Rate	Rate
Regular	3.00%	14.03%	17.03%
Special Risk	3.00%	35.19%	38.19%
DROP	N/A	22.02%	22.02%

The above rate is 2.00% for the health insurance subsidy contribution.

Total payroll for the City's employees covered by the System was \$233,536 for the year ended September 30, 2025.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

The City's contributions for the year ended September 30, 2025 were \$33,033 to the FRS and \$5,647 to the HIS.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 7 - Pension Plans, Continued

Pension Liabilities and Pension Expense

At September 30, 2025, 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, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2025. 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, 2025	\$ 130,444	\$ 70,958	\$ 201,402
Proportion at:			
June 30, 2025	0.000420310%	0.000553603%	
June 30, 2024	0.000539802%	0.000613692%	
Pension expense, year ended September 30, 2025	\$ 24,157	\$ 4,109	\$ 28,266

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 7 - Pension Plans, Continued

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2025 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	\$ 13,933	\$ -	\$ 424	\$ (113)
Changes in Assumption	15,148	-	628	(17,163)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(21,779)	-	(59)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	49,520	(31,331)	17,180	(9,348)
City Contributions Subsequent to the Measurement Date	4,084	-	854	-
Total	\$ 82,685	\$ (53,110)	\$ 19,086	\$ (26,683)

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 2024 for the period July 1, 2018, through June 30, 2023. 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 were based on certain results of the most recent experience study for the FRS Pension Plan.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 7 - Pension Plans, Continued

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 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments 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 uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% 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.

The following changes in actuarial assumptions occurred in 2025 for the HIS Program:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumptions Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 7 - Pension Plans, Continued

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	Rate	1% Increase
		5.7%	6.7%	7.7%
FRS				
City's Proportionate				
Net Pension Liability		\$ 255,994	\$ 130,444	\$ 25,184
		1% Decrease	Rate	1% Increase
		4.20%	5.20%	6.20%
HIS				
City's Proportionate				
Net Pension Liability		\$ 80,017	\$ 70,958	\$ 63,361

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.

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.

**CITY OF VERNON
VERNON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 9 - Net Working Capital - Proprietary Fund

The net working capital (current assets less current liabilities) for the Proprietary Fund was (\$38,217).

Note 10 - Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through August 6, 2026. 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.

REQUIRED SUPPLEMENTARY INFORMATION

FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
SCHEDULE OF CITY OF VERNON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	FLORIDA RETIREMENT SYSTEM									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the Net Pension Liability	0.000420310%	0.000539802%	0.000376781%	0.000249274%	0.000265115%	0.000226510%	0.000198354%	0.000221493%	0.000221193%	0.000228712%
City's proportionate share of the Net Pension Liability	\$ 130,444	\$ 208,821	\$ 150,135	\$ 92,752	\$ 20,026	\$ 98,173	\$ 68,310	\$ 66,715	\$ 65,427	\$ 57,750
City's covered-employee payroll	\$ 216,399	\$ 251,437	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797
City's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	60.28%	83.05%	55.51%	45.50%	11.13%	52.80%	47.26%	41.37%	43.22%	52.12%
Plan fiduciary net position as a percentage of the total Pension Liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

	HEALTH INSURANCE SUBSIDY PROGRAM									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the Net Pension Liability	0.000553603%	0.000613692%	0.000512779%	0.000447594%	0.000472835%	0.000414600%	0.000390086%	0.000429444%	0.000221193%	0.000324901%
City's proportionate share of the Net Pension Liability	\$ 70,958	\$ 92,062	\$ 81,436	\$ 47,407	\$ 58,000	\$ 50,622	\$ 43,647	\$ 45,453	\$ 37,556	\$ 37,866
City's covered-employee payroll	\$ 216,399	\$ 251,437	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797
City's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	32.79%	36.61%	30.11%	23.26%	32.25%	27.07%	30.20%	28.19%	24.81%	34.18%
Plan fiduciary net position as a percentage of the total Pension Liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

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

FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
SCHEDULE OF CITY OF VERNON'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	FLORIDA RETIREMENT SYSTEM									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 33,033	\$ 30,541	\$ 21,960	\$ 10,115	\$ 10,745	\$ 7,525	\$ 6,280	\$ 6,418	\$ 6,139	\$ 5,578
Contributions in relation to the contractually required contribution	(33,033)	(30,541)	(21,960)	(10,115)	(10,745)	(7,525)	(6,280)	(6,418)	(6,139)	(5,578)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 233,536	\$ 251,437	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797
Contributions as a percentage of covered-employee payroll	14.14%	12.15%	8.12%	4.96%	5.97%	4.02%	4.35%	3.98%	4.06%	5.03%

	HEALTH INSURANCE SUBSIDY PROGRAM									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 5,647	\$ 5,295	\$ 3,751	\$ 2,556	\$ 2,872	\$ 2,389	\$ 2,356	\$ 2,391	\$ 2,022	\$ 1,665
Contributions in relation to the contractually required contribution	(5,647)	(5,295)	(3,751)	(2,556)	(2,872)	(2,389)	(2,356)	(2,391)	(2,022)	(1,665)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 233,536	\$ 251,437	\$ 270,449	\$ 203,834	\$ 179,867	\$ 186,980	\$ 144,532	\$ 161,258	\$ 151,364	\$ 110,797
Contributions as a percentage of covered-employee payroll	2.42%	2.11%	1.39%	1.25%	1.60%	1.28%	1.63%	1.48%	1.34%	1.50%

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

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, 2025. 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, 2025.

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 & Associates, P.C.

Dothan, Alabama
August 6, 2026

**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, 2025, 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 6, 2026.

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 were not identified. We identified 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 2014-002 (repeat), 2025-001, and 2025-002.

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 City of Vernon, Florida'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 & Associates, P.C.

Dothan, Alabama

August 6, 2026

SCHEDULE OF FINDINGS

**CITY OF VERNON
VERNON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2025**

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, 2025**

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 2014-002 - 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.

2025-001 - Failure to Record and Maintain Meeting Minutes

Criteria- Florida Statute 286.011(2) (Government-in-the-Sunshine Law) requires that the minutes of meetings of boards or commissions of municipalities and other political subdivisions be promptly recorded and maintained as official records.

Condition- The City maintained recordings of City Council meetings and made those recordings available to the public. However, written minutes were not prepared and maintained for certain meetings during the audit period. In addition, certain meetings remained without written minutes as of the date of our audit procedures.

**CITY OF VERNON
VERNON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2025**

2025-001 - Failure to Record and Maintain Meeting Minutes (Continued)

Effect- The City was not in full compliance with Florida Statute 286.011(2). Although recordings were available, written minutes constitute the official record of actions taken by the governing body and are required to be maintained in accordance with Florida law.

Cause- Staff turnover, administrative changes, and the accumulation of unprepared minutes contributed to delays in reducing meeting recordings to written minutes and maintaining the official records.

Recommendation- The City should implement procedures to ensure written minutes are prepared, reviewed, approved, and maintained timely for all meetings of the governing body. The City should also complete any outstanding written minutes to bring the official records up to date.

Response- Management concurs with the finding. The City maintained recordings of meetings and made them available to the public; however, written minutes were not completed for certain meetings as required by Florida law. The City is working to bring outstanding minutes current and has implemented procedures to ensure written minutes are prepared and maintained going forward.

2025-002 - Timeliness of Submission of Audit Report

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- The City is working on updating the policies for month end close out to allow for sufficient time for the audit to be completed.



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, 2025, and have issued our report thereon dated August 6, 2026.

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 Questioned Cost; 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 6, 2026, 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.

The management letter items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding#	2023-24 FY Finding#	2022-23 FY Finding#
2012-002	2012-002	2012-002

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year	2023-24 FY	2022-23 FY
2003-002	2003-002	2003-002
2007-001	2007-001	2007-001
2014-002	2014-002	2014-001
2025-001		2014-002
2025-002		

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.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not operate a PACE program pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the City's geographical boundaries during the fiscal year under audit.

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 & Associates, P.C.

Dothan, Alabama

August 6, 2026