

**THE CITY OF VERNON, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

# THE CITY OF VERNON, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and Schedule of Expenditures of Federal Awards

Honorable Mayor and  
Members of the City Commission  
The City of Vernon, Texas

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited The City of Vernon, Texas' (City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

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

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

#### **Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control Over Compliance**

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

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

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

### **Report on Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated August 20, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
August 20, 2024

**THE CITY OF VERNON, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Contract Number</u>	<u>Assistance Listing Number</u>	<u>Expenditures and Indirect Costs</u>	<u>Amount Relating to Pass-Through Expenditures</u>
<b>FEDERAL AWARDS</b>				
<u>United States Department of the Treasury</u>				
Direct Program:				
COVID-19 - ARPA Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	\$ 2,070,149	\$ -
Total United States Department of the Treasury			<u>2,070,149</u>	<u>-</u>
<u>United States Department of Housing and Urban Development</u>				
Passed Through the Texas Department of Agriculture:				
Community Development Block Grant	N/A	14.228	16,950	-
Total United States Department of Housing and Urban Development			<u>16,950</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 2,087,099</u></b>	<b><u>\$ -</u></b>

# THE CITY OF VERNON, TEXAS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

### Note 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of The City of Vernon, Texas (City). All financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on this schedule.

### Note 2 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. Federal grant funds are ordinarily considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are deferred revenues until earned.

### Note 3 - CONTINGENCIES

In connection with the federal programs, the City is required to comply with specific terms and agreements as well as applicable federal laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

Since such programs are subject to audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

### Note 4 - DE MINIMIS INDIRECT COST RATE

Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to charge a de minimis indirect cost rate of ten percent of modified total direct costs. The City did not elect to charge the de minimis rate to any of its federal awards during the year ended September 30, 2023.



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

Honorable Mayor and  
Members of the City Commission  
The City of Vernon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The City of Vernon, Texas (City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 20, 2024.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001 that we consider to be a material weakness.

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

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs Finding 2023-002 that we consider to be a significant deficiency.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City'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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
August 20, 2024

# THE CITY OF VERNON, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

### A. Summary of Auditor's Results

An unmodified opinion was issued on the financial statements.

The audit disclosed a material weakness relating to the audit of the financial statements in the 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*.

The audit disclosed no instances of noncompliance that are material to the financial statements in the 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*.

The audit disclosed no material weaknesses or significant deficiencies relating to the audit of the major federal award program in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with the Uniform Guidance.

An unmodified opinion was issued on compliance for the major program.

The audit disclosed no noncompliance findings that are required to be reported in this schedule under the Uniform Guidance.

Major program is as follows:

Federal:

21.027 – Coronavirus State and Local Fiscal Recovery Funds

The threshold used to distinguish between Type A and Type B federal programs was \$750,000.

The City was not classified as a low-risk auditee in the context of the Uniform Guidance.

### B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Finding 2023-001 – Material Weakness in Internal Control over Financial Reporting

#### Criteria or Specified Requirement

The City should maintain adequate internal control over financial reporting to ensure accurate reporting in the City's financial statements.

#### Condition Found

During the audit, misstatements in the City's accounting records were material to the City's financial statements. The misstatements were not identified prior to the audit by the City's internal control processes.

# THE CITY OF VERNON, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D) FOR THE YEAR ENDED SEPTEMBER 30, 2023

### Cause

The City did not record all of the necessary entries to properly record all financial transactions in accordance with generally accepted accounting principles.

### Effect

Material misstatements were noted during the audit of the City's financial statements and were required to be corrected. Therefore, internally prepared financial statements are materially in error and do not follow generally accepted accounting principles.

### Recommendation

We recommend that the City closely review and adjust all accounts as necessary prior to closing the City's accounting records prior to the start of the audit.

### Views of Responsible Officials and Planned Corrective Action

Please refer to the Corrective Action Plan prepared by the City's management.

Finding 2023-002 – Significant Deficiency in Compliance over Budgeting

### Criteria or Specified Requirement

The City should not over expend its approved budget at any time during the year.

### Condition Found

For the year ended September 30, 2023, the City over expended its budget in the General Fund in four departments and categories by amounts ranging from \$5,428 to \$1,013,914.

### Cause

The City did not amend its budget as needed during the fiscal year; therefore, the General Fund budget was over expended in four departments and categories.

### Effect

The City was in compliance with the laws and regulations of the State of Texas.

### Recommendation

We recommend that the City closely review its budget and expenditures to ensure no amounts exceed the budgeted amounts.

## THE CITY OF VERNON, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D) FOR THE YEAR ENDED SEPTEMBER 30, 2023

#### Views of Responsible Officials and Planned Corrective Action

Please refer to the Corrective Action Plan prepared by the City's management.

#### C. Findings and Questioned Costs for Federal Awards

There were no findings in the current year.

# THE CITY OF VERNON, TEXAS

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2023

### Finding 2023-001 – Material Weakness in Internal Control over Financial Reporting

The City has reviewed the finding noted in the audit and agrees with it. The City will also make the necessary adjustments in future years.

The Contact person for this corrective action plan is Deanna Boatenhamer, Finance Director.

### Finding 2023-002 – Significant Deficiency in Compliance over Budgeting

The City has reviewed the finding noted in the audit and agrees with it. The City will also closely monitor and adjust the budget as necessary in future years.

The Contact person for this corrective action plan is Deanna Boatenhamer, Finance Director.

**THE CITY OF VERNON, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

There were no findings in the prior year.