

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FINANCIAL STATEMENTS
City of Verona, Mississippi

For the year ended
September 30, 2023

CITY OF VERONA, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Verona, Mississippi

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, Mississippi as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Verona, Mississippi 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

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 the City of Verona, Mississippi'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Verona, Mississippi'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 Verona, Mississippi's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Verona, Mississippi's basic financial statements. The individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2024, on our consideration of the City of Verona, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Verona, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Verona, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
February 26, 2024

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2023

This section of the City of Verona's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2023. Please read it in conjunction with the City of Verona financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,130,011. Of this amount, \$0 may be used to meet the City of Verona's ongoing obligations. This compares to the previous year when assets exceed liabilities by \$4,838,101, of which \$79,071 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Verona governmental funds reported combined ending fund balances of \$1,334,211 compared to \$1,174,683, an increase of \$159,528 in comparison to the prior year. Approximately 0% of the combined fund balances, \$0 is considered unassigned and is available for spending at the City of Verona's discretion.
- The City of Verona's total debt is \$70,923. No new debt was issued in the current fiscal year. Debt in the amount of \$26,800 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Verona.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Verona's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Verona's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Verona has three Governmental Fund types: General, Special Revenue, and Capital Projects.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water and Sewer fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the City of Verona's financial statements, including the portion of the City of Verona they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Verona's Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Statements | |
|--|--|--|--|
| | | Governmental Funds | Proprietary Funds |
| Scope | Entire City Government (except fiduciary funds) and the City's component units. | The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation | Activities the City operates similar to private businesses: Water and Sewer System. |
| Required financial statements | Statement of Net Position; Statement of Activities | Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances | Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Net Cash Flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid |

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City of Verona as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Verona's net position and how they have changed. Net position—the difference between the City of Verona's assets and liabilities—is one way to measure the City of Verona's financial health, or position.

- Over time, increases or decreases in the city of Verona's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Verona, the reader should consider additional non-financial factors such as changes in the City of Verona's property tax base.
- *Governmental activities* –Most of the City of Verona's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Verona charges fees to customers to help it cover the costs of certain services it provides. The City of Verona's water and sewer system services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Verona's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Verona exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Verona has two kinds of funds:

- **Governmental funds**—most of the City of Verona's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Verona's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Verona utilizes three types of governmental funds: the General Fund, Special Revenue Funds, and Capital Projects Funds.
- **Proprietary funds**—Services for which the City of Verona charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—enterprise funds. The City of Verona's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Verona's assets exceeded liabilities by \$5,130,011 at the close of the most recent fiscal year.

A large portion, 83%, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

City of Verona's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Current and Other Assets | \$ 1,760,911 | \$ 1,582,200 | \$ 1,593,014 | \$ 1,512,918 | \$ 3,353,925 | \$ 3,095,725 |
| Capital Assets | 1,735,554 | 1,354,792 | 2,576,622 | 2,654,377 | 4,312,176 | 4,009,169 |
| Total Assets | 3,496,465 | 2,936,992 | 4,169,636 | 4,167,902 | 7,666,101 | 7,104,894 |
| Deferred Outflows | 382,090 | 201,684 | 201,223 | 102,433 | 583,313 | 304,117 |
| Total Deferred Outflows | 382,090 | 201,684 | 201,223 | 102,433 | 583,313 | 304,117 |
| Current and Other Liabilities | 75,192 | 77,676 | 21,695 | 25,323 | 96,887 | 102,999 |
| Long-Term Liabilities | 1,896,946 | 1,565,933 | 1,077,898 | 854,759 | 2,974,844 | 2,420,692 |
| Total Liabilities | 1,972,138 | 1,643,609 | 1,099,593 | 880,082 | 3,071,731 | 2,523,691 |
| Deferred Inflows | 31,227 | 31,315 | 16,445 | 15,904 | 47,672 | 47,219 |
| Total Deferred Inflows | 31,227 | 31,315 | 16,445 | 15,904 | 47,672 | 47,219 |
| Net Position (Deficit): | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 1,664,631 | 1,257,069 | 2,576,622 | 2,654,377 | 4,241,253 | 3,911,446 |
| Restricted | 1,341,778 | 847,584 | 0 | 0 | 1,341,778 | 847,584 |
| Unrestricted | (1,131,219) | (640,901) | 678,199 | 719,972 | (453,020) | 7,071 |
| Total Net Position | \$ 1,875,190 | \$ 1,463,752 | \$ 3,254,821 | \$ 3,374,349 | \$ 5,130,011 | \$ 4,838,101 |

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of our business-type activities were \$678,199 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Verona generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position. Approximately 15.75 percent of the City of Verona's revenue comes from property taxes, with 35.25 percent of all revenue coming from some type of tax. (See Table A-2.) Another 36.25 percent comes from fees charged for services, 4.35 percent comes from intergovernmental revenues and the balance is from investment earnings, operating and capital grants and contributions and other miscellaneous receipts.

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

Changes in The City of Verona's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 101,276 | \$ 57,672 | \$ 991,978 | \$ 841,144 | \$ 1,093,254 | \$ 898,816 |
| Operating Grants & Contributions | 0 | 4,868 | 0 | 0 | 0 | 4,868 |
| Capital Grants & Contributions | 664,308 | 397,286 | 0 | 52,862 | 664,308 | 450,148 |
| General Revenues: | | | | | | |
| Property Taxes | 474,952 | 458,301 | 0 | 0 | 474,952 | 458,301 |
| Other Taxes | 587,942 | 520,849 | 0 | 0 | 587,942 | 520,849 |
| Intergovernmental Revenues | 131,212 | 148,979 | 0 | 0 | 131,212 | 148,979 |
| Investment Income | 1,342 | 389 | 0 | 607 | 1,342 | 996 |
| Other | <u>62,642</u> | <u>40,241</u> | <u>0</u> | <u>0</u> | <u>62,642</u> | <u>40,241</u> |
| Total Revenues | <u>2,023,674</u> | <u>1,628,585</u> | <u>991,978</u> | <u>894,613</u> | <u>3,015,652</u> | <u>2,523,198</u> |
| Expenses | | | | | | |
| General Government | 245,337 | 345,103 | 0 | 0 | 245,337 | 345,103 |
| Public Safety | 1,250,061 | 940,862 | 0 | 0 | 1,250,061 | 940,862 |
| Public Works | 121,141 | 10,883 | 0 | 0 | 121,141 | 10,883 |
| Culture & Recreation | 32,400 | 30,307 | 0 | 0 | 32,400 | 30,307 |
| Debt Service | 3,297 | 4,571 | 0 | 0 | 3,297 | 4,571 |
| Water & Sewer | <u>0</u> | <u>0</u> | <u>1,071,506</u> | <u>846,309</u> | <u>1,071,506</u> | <u>846,309</u> |
| Total Expenses | <u>1,652,236</u> | <u>1,331,726</u> | <u>1,071,506</u> | <u>846,309</u> | <u>2,723,742</u> | <u>2,178,035</u> |
| Excess of Revenue Over Expenses | 371,438 | 296,859 | (79,528) | 48,304 | 291,909 | 345,163 |
| Transfers | <u>40,000</u> | <u>40,000</u> | <u>(40,000)</u> | <u>(40,000)</u> | <u>0</u> | <u>0</u> |
| Increase (Decrease) in Net Position | 411,438 | 336,859 | (119,528) | 8,304 | 291,909 | 345,163 |
| Net Position—Beginning | <u>1,463,752</u> | <u>1,126,893</u> | <u>3,374,349</u> | <u>3,366,045</u> | <u>4,838,101</u> | <u>4,492,938</u> |
| Net Position—Ending | <u>\$ 1,875,190</u> | <u>\$ 1,463,752</u> | <u>\$ 3,254,821</u> | <u>\$ 3,374,349</u> | <u>\$ 5,130,011</u> | <u>\$ 4,838,101</u> |

Governmental Activities

Governmental activities increased the City's net position by \$411,438 thereby accounting for 141% of the total increase in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (23%), other taxes (29%), intergovernmental revenues (6%), and charges for services (5%).

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest expense categories for the City's governmental activities are public safety (76%) and general government (15%).

Business-type Activities

Business-type activities decreased the City's net position by \$119,528, thereby accounting for -41% of the increase in the City's net position.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$991,978 for water and sewer.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was (\$16,950) which comprised -3.42 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 32.50% of total fund expenditures. The fund balance of the City's general fund increased by \$163,902 during the current fiscal year.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$500,000, which will be used for future expenditures.

Special Revenue Fund— Special revenue funds are used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$44,725 which will be used for future expenditures.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$3,254,821.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's 2022-2023 general fund operating budget increased by \$62,883. This increase was primarily related to increases in all categories in the General Government and Public Safety. The City's tax millage for the 2023 fiscal year remained constant with no change.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023 amounted to \$4,312,176, net of accumulated depreciation of \$5,550,814. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Verona's Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Land | \$ 282,836 | \$ 282,836 | \$ 435,052 | \$ 435,052 | \$ 717,888 | \$ 717,888 |
| Plant, Buildings & Improvements | 1,000,658 | 987,718 | 5,282,546 | 5,263,206 | 6,283,204 | 6,250,924 |
| Machinery & Equipment | 1,484,197 | 1,332,779 | 957,019 | 955,271 | 2,441,216 | 2,288,050 |
| Infrastructure | 420,682 | 92,067 | 0 | 0 | 420,682 | 92,067 |
| Construction-in-progress | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation | <u>(1,452,819)</u> | <u>(1,340,608)</u> | <u>(4,097,995)</u> | <u>(3,999,152)</u> | <u>(5,550,814)</u> | <u>(5,339,760)</u> |
| Total | <u><u>\$ 1,735,554</u></u> | <u><u>\$ 1,354,792</u></u> | <u><u>\$ 2,576,622</u></u> | <u><u>\$ 2,654,377</u></u> | <u><u>\$ 4,312,176</u></u> | <u><u>\$ 4,009,169</u></u> |

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt - At year-end, the city had \$70,923 in debt outstanding. More detailed information about the City of Verona's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Verona's Outstanding Debt

| | Governmental | | Business-Type | | Total | |
|----------------------------------|------------------|------------------|---------------|-------------|------------------|------------------|
| | Activities | | Activities | | | |
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| General Obligation Bonds | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Revenue Bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| CAP Loans | 0 | 0 | 0 | 0 | 0 | 0 |
| Promissory Notes & Capital Lease | 70,923 | 97,723 | 0 | 0 | 70,923 | 97,723 |
| Total | <u>\$ 70,923</u> | <u>\$ 97,723</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 70,923</u> | <u>\$ 97,723</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2024 budget. The total budgeted appropriations for the City's general operations is \$1,380,601. This budget reflects a decrease of approximately \$24,639. This decrease is primarily related to a decrease in supplies in public safety.

CONTACTING THE CITY OF VERONA FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Verona's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Verona's Finance Department, P.O. Box 2363, Verona, MS 38879.

FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF VERONA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2023

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash on Deposit | \$ 719,317 | \$ 799,591 | \$ 1,518,908 |
| Money Market, CD's | - | 361,665 | 361,665 |
| Restricted CD's | 29,230 | - | 29,230 |
| Restricted Cash | 794,583 | - | 794,583 |
| Accounts Receivable, Net | 113,060 | 148,030 | 261,090 |
| Other Receivable | - | 1,800 | 1,800 |
| Court Fines Receivable, Net | 365,790 | - | 365,790 |
| Property Taxes Receivable | 20,859 | - | 20,859 |
| Internal Balances | (281,928) | 281,928 | - |
| Capital Assets: | | | |
| Land | 282,836 | 435,052 | 717,888 |
| Construction in Progress | - | - | - |
| Plant, Buildings and Improvements | 1,000,658 | 5,282,546 | 6,283,204 |
| Machinery and Equipment | 1,484,197 | 957,019 | 2,441,216 |
| Infrastructure | 420,682 | - | 420,682 |
| Accumulated Depreciation | (1,452,819) | (4,097,995) | (5,550,814) |
| TOTAL ASSETS | <u>3,496,465</u> | <u>4,169,636</u> | <u>7,666,101</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred Amounts Related to Pensions | <u>382,090</u> | <u>201,223</u> | <u>583,313</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 382,090</u> | <u>\$ 201,223</u> | <u>\$ 583,313</u> |

CITY OF VERONA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>LIABILITIES:</u> | | | |
| Accounts Payable and Accrued Expenses | \$ 13,213 | \$ 16,128 | \$ 29,341 |
| Accrued Compensated Absences | 6,742 | 5,567 | 12,309 |
| Due to Cemetery Patrons | 26,838 | - | 26,838 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 28,399 | - | 28,399 |
| Due in More Than One Year | 42,524 | - | 42,524 |
| Net Pension Liability | 1,854,422 | 976,611 | 2,831,033 |
| Refundable Meter Deposits | - | 101,287 | 101,287 |
| TOTAL LIABILITIES | <u>1,972,138</u> | <u>1,099,593</u> | <u>3,071,731</u> |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | | |
| Deferred Amounts Related to Pensions | <u>31,227</u> | <u>16,445</u> | <u>47,672</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>31,227</u> | <u>16,445</u> | <u>47,672</u> |
| <u>NET POSITION (DEFICIT):</u> | | | |
| Net Investment in Capital Assets | 1,664,631 | 2,576,622 | 4,241,253 |
| Restricted for: | | | |
| Cemetery | 2,392 | - | 2,392 |
| Municipal Court | 3,242 | - | 3,242 |
| Special Revenue | 40,277 | - | 40,277 |
| Capital Projects | 501,284 | - | 501,284 |
| Infrastructure- ARC | - | - | - |
| Infrastructure- ARPA | 794,583 | - | 794,583 |
| Unrestricted | <u>(1,131,219)</u> | <u>678,199</u> | <u>(453,020)</u> |
| TOTAL NET POSITION (DEFICIT) | <u>\$ 1,875,190</u> | <u>\$ 3,254,821</u> | <u>\$ 5,130,011</u> |

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

**CITY OF VERONA, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023**

| FUNCTIONS/ PROGRAMS | PROGRAM REVENUES | | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|------------------------|--|--|---------------------|--|-----------------------------|---------------------|
| | Expenses | Charge for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total | Governmental Activities | Business-Type Activities | PRIMARY GOVERNMENT |
| | | | | | | | | Total |
| PRIMARY GOVERNMENT | | | | | | | | |
| Government Activities: | | | | | | | | |
| General Government | \$ 245,337 | \$ - | \$ - | \$ - | \$ - | (245,337) | \$ - | (245,337) |
| Public Safety | 1,250,061 | 36,834 | - | - | 36,834 | (1,213,227) | - | (1,213,227) |
| Public Works | 121,141 | 64,442 | - | 664,308 | 728,750 | 607,609 | - | 607,609 |
| Culture and Recreation | 32,400 | - | - | - | - | (32,400) | - | (32,400) |
| Interest on Long-Term Debt | 3,297 | - | - | - | - | (3,297) | - | (3,297) |
| TOTAL GOVERNMENTAL ACTIVITIES | 1,652,236 | 101,276 | - | 664,308 | 765,584 | (886,652) | - | (886,652) |
| Business-Type Activities: | | | | | | | | |
| Water and Sewer System | 1,071,506 | 991,978 | - | - | 991,978 | - | (79,528) | (79,528) |
| TOTAL BUSINESS-TYPE ACTIVITIES | 1,071,506 | 991,978 | - | - | 991,978 | - | (79,528) | (79,528) |
| TOTAL PRIMARY GOVERNMENT | \$ 2,723,742 | \$ 1,093,254 | \$ - | \$ 664,308 | \$ 1,757,562 | \$ (886,652) | \$ (79,528) | \$ (966,180) |
| GENERAL REVENUES: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | | \$ 474,952 | \$ - | \$ 474,952 |
| Sales Taxes | | | | | | 307,095 | - | 307,095 |
| Modernization Use Tax | | | | | | 170,303 | - | 170,303 |
| Licenses and Permits | | | | | | 8,517 | - | 8,517 |
| In Lieu Taxes | | | | | | 29,264 | - | 29,264 |
| Franchise Taxes | | | | | | 81,280 | - | 81,280 |
| Homestead Reimbursement | | | | | | 36,939 | - | 36,939 |
| Other Intergovernmental Revenues | | | | | | 94,273 | - | 94,273 |
| Investment Earnings | | | | | | 1,342 | - | 1,342 |
| Miscellaneous | | | | | | 54,125 | - | 54,125 |
| Transfers | | | | | | 40,000 | (40,000) | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | | 1,298,090 | (40,000) | 1,258,090 |
| CHANGE IN NET POSITION | | | | | | | | |
| NET POSITION--BEGINNING, | | | | | | 411,438 | (119,528) | 291,910 |
| NET POSITION--ENDING | | | | | | 1,463,752 | 3,374,349 | 4,838,101 |
| | | | | | | \$ 1,875,190 | \$ 3,254,821 | \$ 5,130,011 |

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

**CITY OF VERONA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023**

| | Major Funds | | | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|-----------------|------------------------------------|--------------------------------|
| | General Fund | ARPA Fund | ARC Fund | | |
| ASSETS: | | | | | |
| Cash on Deposit | \$ 696,217 | \$ - | \$ 1,284 | \$ 21,816 | \$ 719,317 |
| Money Market, CD's | 29,230 | - | - | - | 29,230 |
| Restricted Cash | - | 794,583 | - | - | 794,583 |
| Accounts Receivable | 91,435 | - | - | 21,625 | 113,060 |
| TOTAL ASSETS | 816,882 | 794,583 | 1,284 | 43,441 | 1,656,190 |
| LIABILITIES: | | | | | |
| Accounts Payable and Accrued Expenses | 13,213 | - | - | - | 13,213 |
| Due to Other Funds | 281,928 | - | - | - | 281,928 |
| Due to Cemetery Patrons | 26,838 | - | - | - | 26,838 |
| TOTAL LIABILITIES | 321,979 | - | - | - | 321,979 |
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Unemployment Trust Fund | 6,219 | - | - | - | 6,219 |
| Restricted for: | | | | | |
| Cemetery | 2,392 | - | - | - | 2,392 |
| Municipal Court | 3,242 | - | - | - | 3,242 |
| Fire Rebate | - | - | - | 40,277 | 40,277 |
| Police/Narcotics | - | - | - | 3,164 | 3,164 |
| Capital Projects | 500,000 | - | - | - | 500,000 |
| Infrastructure- ARC | - | - | 1,284 | - | 1,284 |
| Infrastructure- ARPA | - | 794,583 | - | - | 794,583 |
| Unassigned: | (16,950) | - | - | - | (16,950) |
| TOTAL FUND BALANCES | 494,903 | 794,583 | 1,284 | 43,441 | 1,334,211 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 816,882 | \$ 794,583 | \$ 1,284 | \$ 43,441 | \$ 1,656,190 |

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

CITY OF VERONA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2023

| | | |
|---|----|-------------------------|
| TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 1,334,211 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. | | 1,735,554 |
| Accrued compensated absences are not due in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | | (6,742) |
| Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | | (70,923) |
| Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | | (1,854,422) |
| Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet. | | |
| Deferred outflows of resources related to defined benefit pension plan | | 382,090 |
| Deferred inflows of resources related to defined benefit pension plan | | (31,227) |
| Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end. | | 20,859 |
| Accrual of court fine revenues to qualify as financial resources. | | 365,790 |
| | | |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u><u>1,875,190</u></u> |

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the year ended September 30, 2023

| | Major Funds | | | Special Revenue Funds | Total Governmental Funds |
|---|-------------------|-------------------|------------------|-----------------------------|--------------------------------|
| | General Fund | ARPA Funds | ARC Funds | | |
| REVENUES: | | | | | |
| General Property Taxes | \$ 477,921 | \$ - | \$ - | \$ - | \$ 477,921 |
| Sales and Use Taxes | 307,095 | - | - | - | 307,095 |
| Modernization Use Tax | 170,303 | - | - | - | 170,303 |
| Licenses and Permits | 8,517 | - | - | - | 8,517 |
| In Lieu of Taxes | 29,264 | - | - | - | 29,264 |
| Franchise Taxes | 81,280 | - | - | - | 81,280 |
| Intergovernmental Revenues | 109,587 | - | - | 21,625 | 131,212 |
| Charges for Services | 64,442 | - | - | - | 64,442 |
| Fines and Forfeits | 10,136 | - | - | - | 10,136 |
| Interest Income | 1,342 | - | - | - | 1,342 |
| Grant Income | 500,000 | - | 164,308 | - | 664,308 |
| Miscellaneous Revenues | 54,125 | - | - | - | 54,125 |
| TOTAL REVENUES | 1,814,012 | - | 164,308 | 21,625 | 1,999,945 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 204,806 | - | - | - | 204,806 |
| Public Safety | 1,066,386 | - | - | 10,161 | 1,076,547 |
| Public Works | 210,619 | - | 331,616 | - | 542,235 |
| Culture and Recreation | 26,156 | - | - | 576 | 26,732 |
| Debt Service | 14,835 | - | - | 15,262 | 30,097 |
| TOTAL EXPENDITURES | 1,522,802 | - | 331,616 | 25,999 | 1,880,417 |
| EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES | 291,210 | - | (167,308) | (4,374) | 119,528 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers (to) from Other Funds | (127,308) | - | 167,308 | - | 40,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (127,308) | - | 167,308 | - | 40,000 |
| NET CHANGE IN FUND BALANCES | 163,902 | - | - | (4,374) | 159,528 |
| FUND BALANCES - Beginning | 331,001 | 794,583 | - | 49,099 | 1,174,683 |
| FUND BALANCES - Ending | \$ 494,903 | \$ 794,583 | \$ - | \$ 44,725 | \$ 1,334,211 |

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

CITY OF VERONA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

| | | |
|--|----|----------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 159,528 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | | 492,973 |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. | | (112,211) |
| Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds. | | (2,969) |
| Gain on sale of assets is reported on Government-Wide Statement of Activities, but it is already accounted for within the proceeds from sales in the governmental funds. The difference between the gain and the sales proceeds is a reconciling item. | | - |
| (Increase) decrease in accrual of compensated absences | | (469) |
| Revenues related to court fines in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 26,698 |
| Charges to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds. | | (178,912) |
| Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position. | | |
| This amount represents proceeds from long-term debt issued. | | - |
| This amount represents long-term debt repayments and issuance costs. | | 26,800 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>411,438</u> |

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

CITY OF VERONA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2023

| | Budget | | Actual | Variance with Final Budget (Unfavorable) |
|--|------------------|--------------------|-------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| General Property Taxes | \$ 508,937 | 476,438 | \$ 476,438 | \$ - |
| Sales Taxes | 358,000 | 306,399 | 306,399 | - |
| Modernization Use Taxes | 130,000 | 170,303 | 170,303 | - |
| Licenses and Permits | 10,000 | 8,357 | 8,517 | 160 |
| In Lieu of Taxes | 26,000 | 29,264 | 29,264 | - |
| Franchise Taxes | 85,281 | 78,339 | 78,338 | (1) |
| Intergovernmental Revenues | 99,400 | 95,958 | 109,587 | 13,629 |
| Charges for Services | 55,000 | 64,442 | 64,442 | - |
| Fines and Forfeits | 15,000 | 9,950 | 10,136 | 186 |
| Interest Revenues | 500 | 1,342 | 1,342 | - |
| Grant Income | - | - | 500,000 | 500,000 |
| Miscellaneous Revenues | 11,900 | 59,869 | 54,125 | (5,744) |
| TOTAL REVENUES | <u>1,300,018</u> | <u>1,300,661</u> | <u>1,808,891</u> | <u>508,230</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 200,151 | 229,925 | 204,806 | 25,119 |
| Public Safety | 1,031,224 | 1,066,309 | 1,066,386 | (77) |
| Public Works | 58,085 | 68,226 | 210,619 | (142,393) |
| Culture and Recreation | 38,062 | 25,945 | 26,156 | (211) |
| Debt Service | 14,835 | 14,835 | 14,835 | - |
| TOTAL EXPENDITURES | <u>1,342,357</u> | <u>1,405,240</u> | <u>1,522,802</u> | <u>(117,562)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(42,339)</u> | <u>(104,579)</u> | <u>286,089</u> | <u>390,668</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (to) from Other Funds | 50,000 | 54,574 | (127,308) | (181,882) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>50,000</u> | <u>54,574</u> | <u>(127,308)</u> | <u>(181,882)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | <u>\$ 7,661</u> | <u>\$ (50,005)</u> | <u>\$ 158,781</u> | <u>\$ 208,786</u> |

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

CITY OF VERONA, MISSISSIPPI
INFRASTRUCTURE- ARPA FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2023

| | Budget | | Actual | Variance with Final Budget (Unfavorable) |
|--|-------------|-------------|-------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Grant Income | \$ - | \$ - | \$ - | \$ - |
| Interest Income | - | - | - | - |
| TOTAL REVENUES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Capital Projects | - | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

CITY OF VERONA, MISSISSIPPI
INFRASTRUCTURE- ARC FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2023

| | Budget | | Actual | Variance with Final Budget (Unfavorable) |
|--|-------------|-------------------|------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Grant Income | \$ - | \$ 374,308 | \$ 164,308 | \$ (210,000) |
| Interest Income | - | - | - | - |
| TOTAL REVENUES | <u>-</u> | <u>374,308</u> | <u>164,308</u> | <u>(210,000)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Capital Projects | - | - | 331,616 | (331,616) |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>331,616</u> | <u>(331,616)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>374,308</u> | <u>(167,308)</u> | <u>(541,616)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (to) from Other Funds | | | 167,308 | 167,308 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>167,308</u> | <u>167,308</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | <u>\$ -</u> | <u>\$ 374,308</u> | <u>\$ -</u> | <u>\$ (374,308)</u> |

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2023

| | |
|--|----------------------------|
| <u>ASSETS:</u> | |
| <u>Current Assets:</u> | |
| Cash and Cash Equivalents | \$ 794,050 |
| Money Market, CD's | 361,665 |
| Accounts Receivable, Net | 148,030 |
| Other Receivables | 1,800 |
| Due From Other Governments | - |
| Due From Other Funds | 281,928 |
| Prepaid Expenses | - |
| Total Current Assets | <u>1,587,473</u> |
| <u>Restricted Assets:</u> | |
| Investments | - |
| Total Restricted Assets | <u>-</u> |
| <u>Fixed Assets:</u> | |
| Water and Sewer System Machinery and Equipment | 6,674,617 |
| Less: Accumulated Depreciation | <u>(4,097,995)</u> |
| Net Fixed Assets | <u>2,576,622</u> |
| Total Assets | <u><u>4,164,095</u></u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES:</u> | |
| Deferred Amounts Related to Pensions | <u>201,223</u> |
| Total Deferred Outflows of Resources | <u><u>201,223</u></u> |
| <u>LIABILITIES:</u> | |
| <u>Current Liabilities:</u> | |
| Accounts Payable and Accrued Expenses | 10,587 |
| Due to Other Funds | - |
| Accrued Compensated Absences | 5,567 |
| Refundable Meter Deposits | 101,287 |
| Current Maturities of Notes Payable | - |
| Total Current Liabilities | <u>117,441</u> |
| <u>Noncurrent Liabilities</u> | |
| Net Pension Liability | 976,611 |
| Notes Payable, Less Current Maturities | - |
| Total Noncurrent Liabilities | <u>976,611</u> |
| Total Liabilities | <u><u>1,094,052</u></u> |
| <u>DEFERRED INFLOWS OR RESOURCES:</u> | |
| Deferred Amounts Related to Pensions | <u>16,445</u> |
| Total Deferred Inflows of Resources | <u><u>16,445</u></u> |
| <u>NET POSITION:</u> | |
| Net Investment in Capital Assets | 2,576,622 |
| Restricted for Debt Service | - |
| Unrestricted | <u>678,199</u> |
| Total Net Position | <u><u>\$ 3,254,821</u></u> |

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the year ended September 30, 2023

OPERATING REVENUES

| | | |
|-------------------------------|----|----------------|
| Charges for Services | \$ | 879,904 |
| Service Charges and Penalties | | 51,661 |
| Other Receipts | | <u>10,413</u> |
| Total Operating Revenues | | <u>941,978</u> |

OPERATING EXPENSES

| | |
|-------------------------------|------------------|
| Personnel Services | 596,989 |
| Supplies | 157,140 |
| Depreciation and Amortization | 98,843 |
| Bad Debt Expense | 16,659 |
| Other Services | <u>201,875</u> |
| Total Operating Expenses | <u>1,071,506</u> |

| | |
|-------------------------|------------------|
| Operating Income (Loss) | <u>(129,528)</u> |
|-------------------------|------------------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|---|---------------|
| Interest Income | - |
| Grant Income | 50,000 |
| Gain (Loss) on Sale of Assets | <u>-</u> |
| Total Non-Operating Revenues (Expenses) | <u>50,000</u> |

| | |
|--|-----------------|
| TRANSFERS (TO) FROM OTHER FUNDS | <u>(40,000)</u> |
|--|-----------------|

| | |
|-------------------------------|-----------|
| CHANGE IN NET POSITION | (119,528) |
|-------------------------------|-----------|

| | |
|---------------------------------|------------------|
| NET POSITION - OCTOBER 1 | <u>3,374,349</u> |
|---------------------------------|------------------|

| | |
|------------------------------------|---------------------|
| NET POSITION - SEPTEMBER 30 | <u>\$ 3,254,821</u> |
|------------------------------------|---------------------|

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the year ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|---|----|-----------|
| Cash Received from Customers | \$ | 860,186 |
| Cash Payments for Personnel Services | | (479,135) |
| Cash Payments for Supplies | | (165,105) |
| Cash Payments for Other Services | | (201,875) |
| Net Cash Provided By Operating Activities | | 14,071 |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | | |
|--|--|----------|
| Operating Transfers - In from (Out) to Other Funds | | (40,000) |
| Net Cash Flows Provided By (Used In) Noncapital Financing Activities | | (40,000) |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | | |
|---|--|----------|
| Acquisition of Fixed Assets | | (21,088) |
| Proceeds from Sale of Assets | | - |
| Capital Grant Received | | 50,000 |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | | 28,912 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|--|---|
| Interest on Investments | | - |
| Net Cash Provided By Investing Activities | | - |

NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH 2,983

CASH AND CASH EQUIVALENTS, OCTOBER 1 1,152,732

CASH AND CASH EQUIVALENTS, SEPTEMBER 30 \$ 1,155,715

BALANCE SHEET RECONCILIATION

| | | |
|-------------------|----|--------------|
| Cash on Deposit | \$ | 794,050 |
| Money Market, CDs | | 361,665 |
| | | \$ 1,155,715 |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | | |
|--|----|-----------|
| Operating Income (Loss) | \$ | (129,528) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities: | | |
| Depreciation and Amortization | | 98,843 |
| Net Pension Expense | | 119,058 |
| Change in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable, Net | | (71,008) |
| (Increase) Decrease in Other Receivables | | 43 |
| Increase (Decrease) in Accounts Payable - Operating Activities | | (7,965) |
| Increase (Decrease) in Accounts Payable - Capital Related Activities | | - |
| Increase (Decrease) in Accrued Compensated Absences | | (1,204) |
| Increase (Decrease) in Refundable Meter Deposits | | 5,832 |
| Total Adjustments | | 143,599 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ | 14,071 |

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

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Verona, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, water and sewer services and general administrative services.

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.

Infrastructure-American Rescue Plan Act Fund (ARPA) – The ARPA Fund is used to account for funds received directly from the U.S. Department of Treasury for relief to local governments derived from the COVID- 19 pandemic. These funds may be used to support public health expenditures, replace lost revenue, provide pay for essential workers, and invest in water and sewer infrastructure.

Infrastructure- Appalachian Regional Commission Fund (ARC) – The ARC Fund is used to account for funds received through the Mississippi Development Authority. These funds are primarily used for preliminary engineering, right-of-way and/or construction of local access roads.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the City reports the following governmental fund types:

Capital Projects Funds – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Enterprise Fund use are not included in the Capital Projects Funds. These are non-major governmental funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. These are non-major governmental funds.

The City reports the following major proprietary funds:

The Water & Sewer Fund – This fund is used to account for the City's water treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Verona.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The Mayor and Board of Aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be published in a local newspaper.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

The collateral for the City's deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the allowance for uncollectible court fines and defined benefit pension plan liability. It is at least reasonably possible that the significant estimate used will change within the next year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Verona's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Verona's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees' Retirement System of Mississippi (PERS). Investments are reported at fair value.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, granters, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Business Information

The City of Verona provides water and sewer services to customers located within the City limits of Verona, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "Due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "Advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Restricted Assets

Governmental and proprietary fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as restricted assets. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's total demand deposits with financial institutions at September 30, 2023, was \$2,704,386 and the bank balance was \$2,759,310. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions is held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the City's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

Credit risk: The City is allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute.

Concentration of credit risk: The City complies with the State statute regarding investments; as a result, concentration risk is limited.

Custodial credit risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the City requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The City's investments are insured or registered, or are securities held by the City or its agent in the City's name.

NOTE 3 - PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. The City contracts with the County to bill and collect property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

**CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE 4 - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2023:

Primary Government:

| | <u>Balance</u> <u>10-01-22</u> | <u>Additions</u> | <u>Reclass/ Disposals</u> | <u>Balance</u> <u>09-30-23</u> |
|---|-----------------------------------|-------------------|-------------------------------|-----------------------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 282,836 | \$ 0 | \$ 0 | \$ 282,836 |
| Construction in Progress | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Capital Assets, not being depreciated | 282,836 | 0 | 0 | 282,836 |
| Capital Assets being depreciated: | | | | |
| Plant, Buildings, & Improvements | 987,718 | 12,940 | 0 | 1,000,658 |
| Infrastructure | 92,067 | 328,615 | 0 | 420,682 |
| Machinery and Equipment | <u>1,332,779</u> | <u>151,418</u> | <u>0</u> | <u>1,484,197</u> |
| Total Capital Assets being depreciated | 2,412,564 | 492,973 | 0 | 2,905,537 |
| Less Accumulated Depreciation for: | | | | |
| Plant, Buildings, & Improvements | (264,555) | (29,625) | 0 | (294,180) |
| Infrastructure | (64,158) | (5,371) | 0 | (69,529) |
| Machinery and Equipment | <u>(1,011,895)</u> | <u>(77,215)</u> | <u>0</u> | <u>(1,089,110)</u> |
| Total Accumulated Depreciation | (1,340,608) | (112,211) | 0 | (1,452,819) |
| Total Capital Assets, depreciated, net Governmental Activities | <u>1,071,956</u> | <u>380,762</u> | <u>0</u> | <u>1,452,718</u> |
| Capital Assets, net | <u>\$ 1,354,792</u> | <u>\$ 380,762</u> | <u>\$ 0</u> | <u>\$ 1,735,554</u> |

The City adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2023.

**CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE 4 - CAPITAL ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2023 follows:

| | <u>Balance</u> <u>10-01-22</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>09-30-23</u> |
|---|-----------------------------------|--------------------|------------------|-----------------------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 435,052 | \$ 0 | \$ 0 | \$ 435,052 |
| Construction in Progress | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Capital Assets, not being depreciated | 435,052 | 0 | 0 | 435,052 |
| Capital Assets being depreciated: | | | | |
| Plant, Buildings, & Improvements | 5,263,206 | 19,340 | 0 | 5,282,546 |
| Machinery and Equipment | <u>955,271</u> | <u>1,748</u> | <u>0</u> | <u>957,019</u> |
| Total Capital Assets being depreciated | <u>6,218,477</u> | <u>21,088</u> | <u>0</u> | <u>6,239,565</u> |
| Less Accumulated Depreciation for: | | | | |
| Plant, Buildings, & Improvements | (3,590,929) | (73,981) | 0 | (3,664,910) |
| Machinery and Equipment | <u>(408,223)</u> | <u>(24,862)</u> | <u>0</u> | <u>(433,085)</u> |
| Total Accumulated Depreciation | <u>(3,999,152)</u> | <u>(98,843)</u> | <u>0</u> | <u>(4,097,995)</u> |
| Total Capital Assets, depreciated, net Business-type Activities | <u>2,219,325</u> | <u>(77,755)</u> | <u>0</u> | <u>2,141,570</u> |
| Capital Assets, net | <u>\$ 2,654,377</u> | <u>\$ (77,755)</u> | <u>\$ 0</u> | <u>\$ 2,576,622</u> |

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

| | |
|-----------------------------------|--------------|
| Plant, building, and Improvements | 5 – 40 Years |
| Machinery and Equipment | 5 – 15 Years |
| Furniture and Fixtures | 5 – 20 Years |
| Vehicles | 5 – 10 Years |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|-------------------|
| Governmental Activities: | |
| General Government | \$ 26,325 |
| Public Safety | 53,346 |
| Public Works | 28,632 |
| Culture and Recreation | <u>3,908</u> |
| Total Depreciation Expense – Governmental Activities | <u>\$ 112,211</u> |

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 4 - CAPITAL ASSETS (continued)

Business-type Activities:

| | |
|---|------------------|
| Water and Sewer | \$ <u>98,843</u> |
| Total Depreciation Expense – Business-type Activities | \$ <u>98,843</u> |

NOTE 5 - RECEIVABLES

Receivables at September 30, 2023, consisted primarily of taxes, court fines, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts in the amount of \$72,341 has been recorded in the Water and Sewer Fund at September 30, 2023. An allowance has also been recorded in the Governmental Activities for uncollectable court fine receivables in the amount of \$802,342. The City believes that all other accounts receivable are collectible.

NOTE 6 - LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2023 is as follows:

| | Balance at 9/30/22 | Additions | Deletions | Balance at 9/30/23 | Amounts Due Within One Year |
|---|-----------------------|-----------|-----------|-----------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Notes payable | \$ 29,375 | \$ - | \$ 14,128 | \$ 15,247 | \$ 15,247 |
| Capital Leases | 68,348 | - | 12,672 | 55,676 | 13,152 |
| Governmental Long-term Liabilities | \$ 97,723 | \$ - | \$ 26,800 | \$ 70,923 | \$ 28,399 |

Business- Type Activities:

None

Loans. The City uses loans to finance its projects. Loans outstanding as of September 30, 2023 are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amounts | |
|---------------------|------------------|---------------|------------------|-----------|-------------|
| Governmental | | | | Issued | Outstanding |
| Heritage House Loan | 3.050% | 3/15/2021 | 9/15/2024 | \$ 68,550 | \$ 55,676 |
| | | | | \$ 68,550 | \$ 55,676 |

**CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE 6 – LONG-TERM DEBT (continued)

Capital Leases. The City is obligated for the following capital assets acquired through capital leases as of September 30, 2023:

| Description | Interest Rate | Issue Date | Maturity Date | Amounts | |
|---------------------|---------------|------------|---------------|------------|-------------|
| | | | | Issued | Outstanding |
| Governmental | | | | | |
| Fire Truck | 3.790% | 11/1/2014 | 11/1/2026 | \$ 145,000 | \$ 15,247 |
| | | | | \$ 145,000 | \$ 15,247 |
| Total | | | | \$ 213,550 | \$ 70,923 |

The Annual requirements to amortize all debt outstanding as of September 30, 2023 including interest payments of \$5,637 are as follows:

| Year Ending September 30 | Governmental Funds | | Proprietary Funds | | Total Principal | Total Interest |
|-----------------------------|--------------------|-----------------|-------------------|-------------|--------------------|-------------------|
| | Principal | Interest | Principal | Interest | | |
| 2024 | \$ 28,399 | \$ 2,374 | \$ - | \$ - | \$ 28,399 | \$ 2,374 |
| 2025 | 13,651 | 1,612 | - | - | 13,651 | 1,612 |
| 2026 | 14,168 | 1,094 | - | - | 14,168 | 1,094 |
| 2027 | 14,705 | 557 | - | - | 14,705 | 557 |
| | <u>\$ 70,923</u> | <u>\$ 5,637</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 70,923</u> | <u>\$ 5,637</u> |

Interest Included as Direct Expense

Interest expense of \$3,297 on long-term debt has been included in the direct expenses of individual functions on the government-wide statement of activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Financial resources from long-term debt issuance in the State are not fungible.

**CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund balances at September 30, 2023:

Due To/From Other Funds:

| | Due To | Due From |
|-----------------------------|------------|------------|
| General Fund | \$ 281,928 | \$ - |
| Nonmajor Governmental Funds | - | - |
| Proprietary Funds | - | 281,928 |
| | \$ 281,928 | \$ 281,928 |

All interfund balances are resulted from the time lag between the dates that interfund goods and services are provided and the payments between funds are made. All interfund balances are expected to be repaid.

Transfers In/Out:

| | Transfers In | Transfers Out |
|-------------------|--------------|---------------|
| General Fund | \$ - | \$ 127,308 |
| Major ARC Fund | 167,308 | - |
| Proprietary Funds | - | 40,000 |
| | \$ 167,308 | \$ 167,308 |

The principal purpose of interfund transfers was to provide funds to pay for capital outlay expenses in the governmental funds. All transfers are routine and consistent with the activities of the fund making the transfer.

NOTE 8 - LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description - The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Mississippi Code of 1972 Annotated Section 25-11-1 et seq. and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions - At September 30, 2023, PERS members were required to contribute 9 percent of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2023 was 17.40 percent of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2023, 2022 and 2021 were \$155,289, \$135,660 and \$117,840, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN (continued)

At September 30, 2023, the City reported a liability of \$2,831,033 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2023 net pension liability was 0.011256 percent, which was based on a measurement date of June 30, 2023. This was an increase of .000304 percent from its proportionate share used to calculate the September 30, 2022 net pension liability, which was based on a measurement date of June 30, 2022.

For the year ended September 30, 2023, the City recognized pension expense of \$453,259. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference Between Expected and Actual Experience | \$ 70,075 | \$ - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 129,480 | - |
| City Pension Contributions Subsequent to the Measurement Date | 42,220 | - |
| Changes of Assumptions | 328,396 | - |
| Changes in the Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions | <u>13,142</u> | <u>47,672</u> |
| Total | \$ <u>583,313</u> | \$ <u>47,672</u> |

\$42,220 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Fiscal Year Ending September 30, | <u>Amount</u> |
|----------------------------------|--------------------------|
| 2024 | \$ 177,701 |
| 2025 | 120,642 |
| 2026 | 194,237 |
| 2027 | <u>841</u> |
| Total | \$ <u>493,421</u> |

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions - The total pension liability as of June 30, 2023 was determined by an actuarial valuation prepared as of June 30, 2022, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2022 valuation based on the experience investigation for the four-year period ending June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.40 percent |
| Salary increases | 2.65 - 17.90 percent, including inflation |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE 9 - DEFINED BENEFIT PENSION PLAN (continued)

The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 27.00 % | 4.75 % |
| International Equity | 22.00 | 4.75 |
| Global Equity | 12.00 | 4.95 |
| Fixed Income | 20.00 | 1.75 |
| Real Estate | 10.00 | 3.25 |
| Private Equity | 8.00 | 6.00 |
| Cash Equivalents | 1.00 | 0.25 |
| Total | 100.00 % | |

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be phased in to 22.40 percent over three fiscal years (17.40 percent for FYE 2024, 19.40 percent for FYE 2025, 21.40 percent for FYE 2026, and 22.40 percent for FYE 2027). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------|--|---------------------------|
| City's Proportionate Share of the Net Pension Liability | \$ 3,650,688 | \$ 2,831,033 | \$ 2,158,414 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 10 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

The major difference between the budgetary basis and the GAAP basis is:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

| | General Fund |
|---------------------|---------------------|
| Budget (Cash Basis) | \$ 158,780 |
| Increase (Decrease) | |
| Net adjustments for | |
| revenue | 5,121 |
| expenditures | - |
| GAAP Basis | \$ 163,901 |

NOTE 11 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Any expenditures over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level of budgetary control are as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Overage</u> |
|--------------------------|---------------|---------------|----------------|
| General Fund: | | | |
| General Government | | | |
| Supplies | \$ 18,439 | \$ 18,600 | \$ 161 |
| Other Services & Charges | 83,469 | 84,121 | 652 |
| Public Safety | | | |
| Supplies | 86,841 | 86,919 | 78 |
| Cultural & Recreational | | | |
| Other Services & Charges | 6,202 | 11,413 | 5,211 |

NOTE 12 – COMMITMENTS

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 13 - RISK MANAGEMENT

The City of Verona is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2023, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 26, 2024, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERONA, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

PERS
For the year ended September 30, 2023
UNAUDITED

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| A. Verona's proportion of the net pension liability (%) | 0.011256% | 0.010952% | 0.010050% | 0.009794% | 0.010110% | 0.010168% | 0.009378% | 0.009241% | 0.010208% |
| B. Verona's proportionate share of the net pension liability | \$ 2,831,033 | \$ 2,254,320 | \$ 1,485,434 | \$ 1,896,005 | \$ 1,778,549 | \$ 1,691,240 | \$ 1,558,942 | \$ 1,650,673 | \$ 1,577,956 |
| C. Verona's covered employee payroll | \$ 834,397 | \$ 753,960 | \$ 668,230 | \$ 652,161 | \$ 658,425 | \$ 649,302 | \$ 601,613 | \$ 591,143 | \$ 637,746 |
| D. Verona's proportionate share of the net pension liability as a percentage of its covered employee payroll (%) | 339.29% | 299.00% | 222.29% | 290.73% | 270.12% | 260.47% | 259.13% | 279.23% | 247.43% |
| E. Plan fiduciary net position as a percentage of the total pension liability | 55.70% | 59.93% | 70.44% | 58.97% | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% |

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF VERONA, MISSISSIPPI
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 LAST 10 FISCAL YEARS
 PERS

For the year ended September 30, 2023
 UNAUDITED

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| A. Contractually required contributions | \$ 155,289 | \$ 135,660 | \$ 117,840 | \$ 111,927 | \$ 105,068 | \$ 106,342 | \$ 93,642 | \$ 92,363 | \$ 98,975 | \$ 99,908 |
| B. Contributions in relation to contractually required contributions | \$ 155,289 | \$ 135,660 | \$ 117,840 | \$ 111,927 | \$ 105,068 | \$ 106,342 | \$ 93,642 | \$ 92,363 | \$ 98,975 | \$ 99,908 |
| C. Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| D. Verona's covered employee payroll | \$ 892,462 | \$ 779,651 | \$ 677,229 | \$ 643,259 | \$ 650,456 | \$ 675,182 | \$ 594,548 | \$ 586,420 | \$ 628,430 | \$ 634,335 |
| E. Contributions as a percentage of covered employee payroll | 17.40% | 17.40% | 17.40% | 17.40% | 16.15% * | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

* Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019 contributions were 17.40%.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF VERONA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

PENSION SCHEDULES

(1) Changes of assumptions

a. 2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

b. 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 2. For females, 84% of female rates up to age 72, 100% for ages above 76.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 1. For males, 134% of male rates at all ages.
 2. For females, 121% of female rates at all ages.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 1. For males, 97% of male rates at all ages.
 2. For females, 110% of female rates at all ages.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

CITY OF VERONA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

PENSION SCHEDULES (continued)

- c. 2019
- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 2. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 3. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 1. For males, 137% of male rates at all ages.
 2. For females, 115% of female rates at all ages.
 3. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- d. 2017
- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- e. 2016
- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- f. 2015
- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
 - Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

CITY OF VERONA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

PENSION SCHEDULES (continued)

(2) Changes in benefit provisions

a. 2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) ***Method and assumptions used in calculations of actuarially determined contributions.*** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2023 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

- | | |
|---------------------------------|---|
| • Actuarial cost method | Entry age |
| • Amortization method | Level percentage of payroll, open |
| • Remaining amortization period | 26.7 years |
| • Asset valuation method | 5-year smoothed market |
| • Price Inflation | 2.40 percent |
| • Salary increase | 2.65 percent to 17.90 percent, including inflation |
| • Investment rate of return | 7.55 percent, net of pension plan investment expense, including inflation |

(4) The comparative information presented on the Schedule of the City's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the year ended September 30, 2023

| | <u>BUDGET</u> | <u>ACTUAL</u> | VARIANCE FAVORABLE (UNFAVORABLE) |
|----------------------------|------------------|------------------|--|
| REVENUES: | | | |
| General Property Taxes | \$ 476,438 | \$ 476,438 | \$ - |
| Licenses and Permits | 8,357 | 8,517 | 160 |
| Sales Taxes | 306,399 | 306,399 | - |
| Modernization Use Taxes | 170,303 | 170,303 | - |
| Intergovernmental Revenues | 59,019 | 72,648 | 13,629 |
| Homestead Reimbursement | 36,939 | 36,939 | - |
| Fines and Forfeits | 9,950 | 10,136 | 186 |
| In Lieu of Taxes | 29,264 | 29,264 | - |
| Franchise Taxes | 78,339 | 78,338 | (1) |
| Charges for Services | 64,442 | 64,442 | - |
| Miscellaneous Revenues | 59,869 | 54,125 | (5,744) |
| Interest Income | 1,342 | 1,342 | - |
| Grant Income | - | 500,000 | 500,000 |
| TOTAL REVENUES | <u>1,300,661</u> | <u>1,808,891</u> | <u>508,230</u> |
| EXPENDITURES: | | | |
| General Government | | | |
| Personnel Services | 102,091 | 102,085 | 6 |
| Supplies | 18,439 | 18,600 | (161) |
| Other Services and Charges | 83,469 | 84,121 | (652) |
| Debt Service | - | - | - |
| Capital Outlay | 25,926 | - | 25,926 |
| Total General Government | <u>229,925</u> | <u>204,806</u> | <u>25,119</u> |
| Public Safety | | | |
| Personnel Services | 824,656 | 824,655 | 1 |
| Supplies | 86,841 | 86,919 | (78) |
| Other Services and Charges | 126,091 | 126,090 | 1 |
| Debt Service | - | - | - |
| Capital Outlay | 28,721 | 28,722 | (1) |
| Total Public Safety | <u>1,066,309</u> | <u>1,066,386</u> | <u>(77)</u> |
| Public Works | | | |
| Personnel Services | 17,840 | 17,839 | 1 |
| Supplies | 10,555 | 10,554 | 1 |
| Other Services and Charges | 54,666 | 54,666 | - |
| Debt Service | - | 14,835 | (14,835) |
| Capital Outlay | - | 127,560 | (127,560) |
| Total Public Works | <u>83,061</u> | <u>225,454</u> | <u>(142,393)</u> |

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the year ended September 30, 2023

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|-------------------|-------------------|---|
| Cultural, Recreational and Cemetery | | | |
| Personnel Services | \$ 6,643 | \$ 6,643 | \$ - |
| Supplies | 600 | 600 | - |
| Other Services and Charges | 6,202 | 11,413 | (5,211) |
| Capital Outlay | 12,500 | 7,500 | 5,000 |
| Total Cultural, Recreational and Cemetery | <u>25,945</u> | <u>26,156</u> | <u>(211)</u> |
| TOTAL EXPENDITURES | <u>1,405,240</u> | <u>1,522,802</u> | <u>(117,562)</u> |
| Excess (Deficit) Revenues Over (Under) | | | |
| Expenditures | <u>(104,579)</u> | <u>286,089</u> | <u>390,668</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from Debt Issuance | - | - | - |
| Proceeds from Sale of Assets | - | - | - |
| Transfers (to) from Other Funds | <u>54,574</u> | <u>(127,308)</u> | <u>(181,882)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>54,574</u> | <u>(127,308)</u> | <u>(181,882)</u> |
| Excess (Deficit) of Revenues and Other Sources | | | |
| Over (Under) Expenditures and Other Uses | (50,005) | 158,781 | 208,786 |
| Fund Balance - Beginning | <u>331,001</u> | <u>331,001</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 280,996</u> | <u>489,782</u> | <u>\$ 208,786</u> |
| Adjustments To GAAP Basis: | | | |
| Less: Accrued Revenue | | <u>(5,121)</u> | |
| Fund Balance GAAP - Ending | | <u>\$ 484,661</u> | |

OTHER SUPPLEMENTARY INFORMATION

**CITY OF VERONA MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the year ended September 30, 2023**

| | BALANCE OUTSTANDING October 1, 2022 | TRANSACTIONS DURING FISCAL YEAR | | BALANCE OUTSTANDING September 30, 2023 |
|---|---|------------------------------------|------------------|--|
| | | ISSUED | REDEEMED | |
| Governmental Funds: | | | | |
| <u>Other Long Term Debt</u> | | | | |
| Capital Lease - Commercial Bank Interest Rate 3.79% Maturity 2026 | \$ 68,348 | \$ - | \$ 12,672 | \$ 55,676 |
| Note Payable- Renasant Bank Interest Rate 3.050% Maturity 2026 | 29,375 | - | 14,128 | 15,247 |
| Total Governmental Funds | <u>97,723</u> | <u>-</u> | <u>26,800</u> | <u>70,923</u> |
| Proprietary Fund: | | | | |
| <u>Other Long Term Debt</u> | | | | |
| <i>None for FY 2023</i> | \$ - | \$ - | \$ - | \$ - |
| Total Proprietary Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Government-wide | <u>\$ 97,723</u> | <u>\$ -</u> | <u>\$ 26,800</u> | <u>\$ 70,923</u> |

OTHER REPORTS

CITY OF VERONA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2023

| NAME | POSITION | COMPANY | BOND |
|--------------------|------------------------|----------------|-------------|
| Bobby Williams | Mayor | Travelers | \$ 50,000 |
| Sonja Moore | Water Clerk | Travelers | 50,000 |
| Camille Lipsey | Court Clerk | Travelers | 50,000 |
| Pamela Shumpert | City Clerk | Travelers | 50,000 |
| Eddie Tucker | Alderman | Travelers | 50,000 |
| Jessie Gilmore | Alderman | Travelers | 50,000 |
| Brenda Spurgon | Alderman | Travelers | 50,000 |
| Margaret Baker | Alderman | Travelers | 50,000 |
| Julian Riley | Alderman | Travelers | 50,000 |
| Marsenio Nunn | Police Chief | Travelers | 50,000 |
| Renika Franks | Assistant Police Chief | Travelers | 50,000 |
| David Washington | Investigator | Travelers | 50,000 |
| Craig Coxey | Police Officer | Travelers | 50,000 |
| Phillip Owings | Police Officer | Travelers | 50,000 |
| Roshanekia Wheeler | Police Officer | Travelers | 50,000 |
| Jonathan Moody | Police Officer | Travelers | 50,000 |
| William Ellis | Police Officer | Travelers | 50,000 |
| Joseph Davis | Police Officer | Travelers | 50,000 |
| Nathan Hester | Police Officer | Travelers | 50,000 |
| Alaina Lucas | Police Officer | Travelers | 50,000 |
| Chaz Thompson | Police Officer | Travelers | 50,000 |

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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 Board of Aldermen
City of Verona, Mississippi

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

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings no. 2023-001 and 2023-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding no. 2023-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Verona, Mississippi’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 findings no. 2023-002 and 2023-003.

City of Verona, Mississippi's Response to Findings

City of Verona, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Verona, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franks, Franks, Wilemon & Hagood P.A.

Franks, Franks, Wilemon & Hagood, P.A.
Tupelo, Mississippi
February 26, 2024

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Mayor and Board of Aldermen
City of Verona, Mississippi

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 Verona, Mississippi as of and for the year ended September 30, 2023, and have issued my report thereon dated February 26, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed two material instances of noncompliance with state laws and regulations as reported in Findings No. 2023-002 and 2023-003.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City of Verona's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
February 26, 2024

**CITY OF VERONA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2023**

FINANCIAL STATEMENT FINDINGS:

MATERIAL WEAKNESS NO. 2023-001:

Repeat Finding: Yes

Criteria: A valuable element of the internal control structure is proper segregation of duties of accounting personnel.

Condition: The City of Verona's internal control structure does not provide for adequate segregation of duties.

Cause: The City's limited size and personnel limit the ability to properly segregate duties.

Recommendation: The City's mayor and board should continue to be actively involved in a supervisory position in the City's operations.

Effect: Failure to have an adequate segregation of duties could result in the loss of public funds

Response: The City will attempt to maximize segregation of duties whenever possible. The mayor and board will remain actively involved in a supervisory position over the City's operations.

MATERIAL WEAKNESS AND NONCOMPLIANCE NO. 2023-002:

Repeat Finding: Yes

Criteria: State law requires municipalities of the State to maintain a complete fixed asset inventory listing, to properly tag all fixed assets, and to perform an annual fixed asset inventory.

Condition: The City of Verona's internal control procedures over fixed assets have not been properly developed and implemented. The City does not maintain a complete fixed asset listing containing items description, location, condition, and inventory tag number. The City does not perform an annual fiscal inventory of fixed assets as prescribed by the Mississippi Code.

Cause: The City has not fully implemented an adequate system of controls for properly tracking activity of fixed assets.

Effect: The City is not in compliance with the applicable requirements as required by state statute as prescribed the Office of the State Auditor.

Recommendation: The City should begin to develop and implement internal control policies and procedures related to fixed asset management. The City should perform a fixed asset inventory and prepare a current fixed asset inventory listing as prescribed by state law. The City should place inventory tags on all existing fixed assets and all fixed assets acquired by the City in the future.

Response: The City will attempt to develop and implement better internal controls over its fixed assets.

**CITY OF VERONA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2023**

SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE NO 2023-003

Repeat Finding: Yes

Criteria: The City is required, by state statutes, to prepare a budget for all required governmental funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Condition: The City had a budget overage in four expenditure categories for the year ended September 30, 2023.

Cause: The City did not properly amend the budget to prevent budget overages.

Effect: The City was out of compliance with state budgeting requirements.

Recommendation: The City should ensure that all expenditures are within the final amended budget amounts. The City Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts.

Response: The City will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The City will take steps necessary to ensure that budgets are amended prior to budget overages occurring.