

CITY OF ARAGON, GEORGIA  
ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2023

CITY OF ARAGON, GEORGIA  
 ANNUAL FINANCIAL REPORT  
 For the Year Ended June 30, 2023

**Table of Contents**

PRINCIPAL OFFICERS ..... iii

FINANCIAL SECTION

Independent Auditor's Report ..... 5-7

Basic Financial Statements

    Government-Wide Financial Statements:

        Statement of Net Position ..... 9

        Statement of Activities ..... 10

    Fund Financial Statements:

        Balance Sheet- Governmental Funds..... 11

        Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position..... 12

        Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds..... 13

        Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and  
 Changes in Fund Balances to the Statement of Activities ..... 14

        Notes to Financial Statements..... 15-31

    Required Supplementary Information:

        Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios ..... 33

        Schedule of Contributions ..... 34

        Notes to the Required Supplementary Information ..... 35

    Supplementary Information:

        Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual..... 37

        Schedule of Approved Local Option Sales Tax Projects ..... 38

INTERNAL CONTROL AND COMPLIANCE SECTION

    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 40-41

    Schedule of Findings and Responses ..... 42-50

## **PRINCIPAL OFFICERS**

The City operates under the direction of the Mayor and Council with the daily operations carried out by the Mayor. Following is a list of officials:

**MAYOR**  
Debbie Pitman

**COUNCIL MEMBERS, 2023**  
Donnie Canada  
Dickie Gazaway  
Judd Fee

**OFFICE PERSONNEL:**  
City Clerk – Kim Allen

**CITY ATTORNEY**  
Frank Beecham  
Attorney at Law

**INDEPENDENT AUDITOR**  
RL Jennings and Associates, P.C., CPA's

FINANCIAL SECTION

---

# RL Jennings & Associates, PC

## Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA  
Marvin Chance, CPA  
Joe H. Sapp, CPA

Member of  
American Institute of  
Certified Public Accountants  
Georgia Society of  
Certified Public Accountants

Katherine S. Washington, CPA, PC  
David E DeScalzo, CPA, CFE, PC  
David Morgan, CPA

### INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Aragon, Georgia

#### **Qualified Opinion on the Financial Statements**

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

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Aragon, Georgia, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Qualified Opinion**

We conducted our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America. 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 Aragon, Georgia, 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 qualified and unmodified audit opinions.

#### **Matter Giving Rise to Qualified Opinion on the Financial Statements**

Management has been unable to provide sufficient audit evidence on collection of cash receipts and certain disbursements. Accounting principles generally accepted in the United States of America require that adequate sufficient audit evidence should be maintained, which would decrease or increase the assets, deferred inflows of resources, and fund balances and change the revenues in the Financial Statements. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances, and revenues of the Financial Statements has not been determined.

#### **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 Aragon, Georgia'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.

506 East Third Street  
Rome, Georgia 30161  
Phone 706.802.1945 Fax 706.802.1279  
www.romecpa.com

105 Mae Street  
Centre, Alabama 35960  
Phone 256.927.5431  
www.centrecpa.com

14224 Hwy 515 North Suite 700  
Ellijay, Georgia 30540  
Phone 706.273.1945 Fax 706.273.1946  
www.ellijaycpa.com

## **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 it is not a guarantee that an audit conducted in accordance with generally accepted 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, 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 Aragon, Georgia'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 Aragon, Georgia'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 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.

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

### **Supplementary Information**

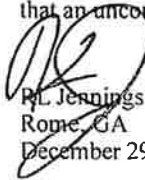
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aragon, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

 & Associates, PC  
R.L. Jennings & Associates, PC  
Rome, GA  
December 29, 2025

BASIC FINANCIAL STATEMENTS

---

CITY OF ARAGON, GEORGIA  
STATEMENT OF NET POSITION  
JUNE 30, 2023

Exhibit "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 316,273
Receivables, Net	
Taxes	55,162
Public Works	4,741
Intergovernmental	9,619
Other	67,755
Advances	3,430
Net Pension Asset	207,361
Other Current Assets	461
Capital Assets, Non-Depreciable	278,120
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>389,620</u>
Total Assets	<u>1,332,542</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan(s)	<u>6,933</u>
Total Deferred Outflows of Resources	<u>6,933</u>
<u>LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	84,460
Salaries and Benefits Payable	2,732
Payroll Withholdings Payable	2,195
Deposits and Unearned Revenues	48,192
Long-Term Liabilities	
Due Within One Year	6,923
Due in More Than One Year	<u>-</u>
Total Liabilities	<u>144,502</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned Property Tax Revenue	199,478
Related to Defined Benefit Pension Plan(s)	<u>42,511</u>
Total Deferred Inflows of Resources	<u>241,989</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	667,739
Restricted for	
Capital Projects	119,393
Law Enforcement	3,189
Net Pension Asset	168,483
Unrestricted (Deficit)	<u>(5,820)</u>
Total Net Position	<u>\$ 952,984</u>

CITY OF ARAGON, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit "B"

	PROGRAM REVENUES				NET (EXPENSES)
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	AND CHANGES IN NET POSITION	
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 482,839	\$ 39,305	\$ 101,266	\$ 137,619	\$ (204,648)
Judicial	101,975	-	22,278	30,275	(49,422)
Public Safety	368,488	66,605	67,635	91,915	(142,333)
Public Works	309,721	80,907	49,393	67,124	(112,297)
Culture and Recreation	34,151	3,188	6,737	9,155	(15,071)
Housing and Development	36,166	15,908	2,146	2,916	(15,196)
	<u>\$ 1,333,340</u>	<u>\$ 205,913</u>	<u>\$ 249,455</u>	<u>\$ 339,004</u>	<u>(538,966)</u>
General Revenues					
Taxes					
Property Taxes					176,336
Franchise Taxes					57,127
Insurance Premium Taxes					120,456
Alcohol Beverage Taxes					27,674
Sales Taxes					-
Local Option Sales Tax					195,331
Other Sales Tax					6,641
Miscellaneous					4,879
Contributions and Donations					2,300
Special Item					
Over/Under Deposits					1,835
Total General Revenues and Special Item					592,579
Change in Net Position					53,613
Net Position - Beginning of Year (Restated)					362,023
Adjustments					537,351
Net Position - End of Year					\$ 952,986

CITY OF ARAGON, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

Exhibit "C"

	GENERAL FUND	CONFISCATED ASSET FUND	AMERICAN RESCUE PLAN ACT FUND	SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND	TOTAL
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 148,142	\$ 3,292	\$ -	\$ 160,989	\$ 312,423
Receivables, Net					
Taxes	55,162	-	-	-	55,162
Public Works	4,741	-	-	-	4,741
Intergovernmental	-	-	-	9,619	9,619
Other	67,755	-	-	-	67,755
Advances	3,430	-	-	-	3,430
Due from Other Funds	25,327	-	-	-	25,327
Other Current Assets	461	-	-	-	461
<b>Total Assets</b>	<b>305,018</b>	<b>3,292</b>	<b>-</b>	<b>170,608</b>	<b>478,919</b>
<b>Total Assets and Deferred Outflows of Resource:</b>	<b>\$ 305,018</b>	<b>\$ 3,292</b>	<b>\$ -</b>	<b>\$ 170,608</b>	<b>\$ 478,919</b>
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 84,460	\$ -	\$ -	\$ -	\$ 84,460
Salaries and Benefits Payable	2,732	-	-	-	2,732
Payroll Withholdings Payable	2,189	-	-	-	2,189
Due to Other Funds	-	-	-	25,327	25,327
<b>Total Liabilities</b>	<b>89,381</b>	<b>-</b>	<b>-</b>	<b>25,327</b>	<b>114,708</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unearned Property Tax Revenue	160,310	-	-	-	160,310
Unavailable Revenue - Property Taxes	5,827	-	-	-	5,827
Unavailable Revenue - Fines and Fees	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>166,137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,137</b>
<b><u>FUND BALANCES</u></b>					
Restricted	-	3,292	-	138,872	142,164
Unassigned	49,502	-	-	6,409	55,911
<b>Total Fund Balances</b>	<b>49,502</b>	<b>3,292</b>	<b>-</b>	<b>145,281</b>	<b>198,075</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 305,020</b>	<b>\$ 3,292</b>	<b>\$ -</b>	<b>\$ 170,608</b>	<b>\$ 478,920</b>

CITY OF ARAGON, GEORGIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 198,075

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$	278,120	
Construction in progress		-	
Buildings and improvements		876,144	
Machinery and Equipment		173,060	
Vehicles		361,230	
Accumulated depreciation		<u>(1,020,815)</u>	667,739

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net Taxes	\$	(83,516)	
Net Pension Asset		<u>207,361</u>	123,845

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Related to pensions	\$	(35,578)	
Related to OPEB		<u>-</u>	(35,578)

Taxes that are not available to pay for current period expenditures are deferred in the funds.

5,827

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences payable	\$	<u>(6,923)</u>	<u>(6,923)</u>
------------------------------	----	----------------	----------------

Net position of governmental activities (Exhibit "A") \$ 952,985

CITY OF ARAGON, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

Exhibit "E"

	GENERAL FUND	CONFISCATED ASSET FUND	AMERICAN RESCUE PLAN ACT FUND	SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND	TOTAL
<b>REVENUES</b>					
Taxes	\$ 418,194	\$ -	\$ -	\$ -	\$ 418,194
Licenses and Permits	31,760	-	-	-	31,760
Intergovernmental	(69,175)	-	53,966	157,790	142,581
Charges for Services	76,404	-	-	-	76,404
Fines and Forfeitures	107,466	4,879	-	-	112,345
Contributions and Donations	2,300	-	-	-	2,300
Miscellaneous	81,025	-	-	-	81,025
<b>Total Revenues</b>	<b>647,974</b>	<b>4,879</b>	<b>53,966</b>	<b>157,790</b>	<b>864,609</b>
<b>EXPENDITURES</b>					
Current					
General Government	398,198	-	13,500	3,348	415,046
Judicial	94,161	-	-	-	94,161
Public Safety	260,004	222	466	88,592	349,284
Public Works	291,043	-	-	-	291,043
Culture and Recreation	34,151	-	-	-	34,151
Housing and Development	34,058	-	-	-	34,058
<b>Total Expenditures</b>	<b>1,111,615</b>	<b>222</b>	<b>13,966</b>	<b>91,940</b>	<b>1,217,742</b>
Revenues over (under) Expenditures	(463,639)	4,657	40,000	65,850	(353,131)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	58,941	-	-	-	58,941
Transfers Out	-	(3,732)	(40,000)	(15,209)	(58,940)
<b>Total Other Financing Sources (Uses)</b>	<b>58,941</b>	<b>(3,732)</b>	<b>(40,000)</b>	<b>(15,208)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(404,698)</b>	<b>925</b>	<b>0</b>	<b>50,642</b>	<b>(353,131)</b>
Fund Balances - Beginning	134,851	1,566	-	88,230	224,647
Adjustments	319,349	801	-	6,409	320,150
Inventory - Net Change in Period	-	-	-	-	-
<b>Fund Balances - Ending</b>	<b>\$ 49,501</b>	<b>\$ 3,292</b>	<b>\$ 0</b>	<b>\$ 138,872</b>	<b>\$ 198,075</b>

CITY OF ARAGON, GEORGIA  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2023**

Exhibit "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ (353,131)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets and right-to-use assets are allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$	1,518,257	
Depreciation expense		(39,558)	
Accumulated Depreciation (PY)		(981,257)	
Amortization expense		-	
		-	497,442

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net position -

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension expense		(55,258)	(55,258)
-----------------	--	----------	----------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on issuance of bonds	\$	-	
Compensated absences		6,923	6,923

Change in net position of governmental activities (Exhibit "B") \$ 53,611

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Aragon, Georgia, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**The Reporting Entity**

The City was incorporated in 1914 under the laws of the State of Georgia and adopted its current charter in 1971. The City operates under a city council/mayor form of government. The City is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the City is a primary government and consists of all the organizations that compose its legal entity. The City provides basic services which include general government, public safety, public works, and culture and recreation.

In defining the reporting entity for financial reporting purposes and as required by accounting principles generally accepted in the United States of America, management has considered all potential component units. The criteria for including an organization within the City’s reporting entity as a component unit is financial accountability. Financial accountability is defined as appointment of a voting majority of the organization’s board and either the ability to impose will by the primary government or the possibility that the organization will provide a financial benefit or impose a financial burden on the primary government. As a result of applying these criteria, there are no component units included in the financial statements of the City.

**Joint Ventures**

Under Georgia Law, the City, in conjunction with other cities and counties in the northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC). Membership in the NWGRC is required by the Official Code of Georgia Annotated (O.C.G.A.) 450-8-34a. The NWGRC Board membership includes the chief elected official of each county and municipality of the area.

O.C.G.A. 45-39-1 provides that the member governments are liable for any debts or obligations of a regional commission. Separately issued financial statements may be obtained from the Northwest Georgia Regional Commission, P.O. BOX 1798, Rome, Georgia 30162-179

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from the government-wide statements, Governmental *activities*, which normally are supported by taxes and intergovernmental revenues.

The Statement of Net Position presents the City’s assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference reported as net position. Net position is reported in the categories as follows:

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

1. **Restricted net position** consists of resources for which the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
2. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities reports the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the City.

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City's funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects funds. At present, the City operates two special revenue funds (Confiscated Assets and American Rescue Plan Act) and one capital projects fund (containing multiple SPLOST Revenues).

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for the City's governmental funds.

The fund financial statements report detailed information about the City's funds. The focus of fund financial statements is on major governmental funds rather than on fund types. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Confiscated Asset Fund is used to account for and report the proceeds from a confiscation or received from a sale of capital assets acquired from drug raids.
- The SPLOST Fund (2020) is used to account for revenues provided by referendums authorizing a one percent Special Purpose Local Option Sales Tax for Polk County, to be shared with the City. The use of SPLOST proceeds received by the City are restricted to capital projects specified according to the intergovernmental agreements with Polk County in connection with each SPLOST referendum.
- The American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund - is a special revenue fund used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The City considers certain revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City considers all intergovernmental revenues to be available if they are collected within 60 days after year-end.

Government-wide net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, 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. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Cash and Investments**

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions.

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the City to invest in (1) U.S. Government obligations; (2) U.S. Government agency obligations; (3) obligations of the State of Georgia; (4) obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investor's Service, Inc.; (5) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; (6) repurchase agreements when collateralized by U.S. Government or agency obligations; and (7) pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

**Prepaid Items**

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as non-spendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

**Capital Assets, Right-of-use Assets, and Related depreciation and amortization.**

Capital assets, which include land, buildings and improvements, machinery and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial,

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets, Right-of-use Assets, and Related depreciation and amortization. (Continued)**

individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are expensed as incurred.

Amortization on right-of-use assets is calculated on the straight-line basis over the term of the related lease. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives.

Land and construction in progress are not depreciated. Other capital assets of the City are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Vehicles	5 Years
Machinery and equipment	3 to 20 Years
Building improvements	15 to 30 Years
Buildings	30 Years

**Leases**

In June 2017, the Government Accounting Standards Board issued Statement No. 87, Leases, with an effective date for fiscal years beginning after June 15, 2021. The objective of the statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of revenue based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Leased assets are amortized over term of the lease. The initial inclusion of leases upon adoption of the standard is presented as the balances on the first day of the fiscal year of implementation; therefore, no restatement of prior periods required.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Vacation leave of 8 to 16 hours is awarded on a monthly basis to all full-time personnel employed on a twelve-month basis based on years of service. No other employees are eligible to earn vacation leave. Vacation leave that is not utilized during the anniversary year may be carried over to the next anniversary year, providing such vacation leave does not exceed 4 hours. Upon terminating employment, the City pays all unused and non-forfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column of the Statement of Net Position.

**Interfund Transactions and Balances**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as “due to/from other funds” in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

Receipts and/or payments to or from other governmental units, not included in the reporting entity of the City, are not reported as transfers, but rather according to the purpose for which the receipt or payment is made.

**Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one type of item which arises under the *economic resources measurement focus* and accrual accounting that qualifies for reporting in this category. Accordingly, a deferred pension asset has been recorded as required by the newly issued accounting standards, GASB 68 – Accounting and Financial Reporting for Pensions, and GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows / Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only two types of items which arise under the *current financial resources measurement focus* and modified accrual accounting that qualifies for reporting in this category.

In accordance with the newly issued pension standards as noted above, the City also has one type of item which arises under the *economic resources measurement focus* and accrual accounting that qualifies for reporting as a *deferred inflow of resources*. Accordingly, a deferred pension liability has been recorded as required by the newly issued pension standards noted above.

**Fund Balance**

Fund balances of governmental funds are presented in various classifications that comprise a hierarchy which 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. Descriptions and the City's policies with respect to these classifications are as follows:

- **Non-spendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City has classified prepaid items as non-spendable as these items are not resources in spendable form.
- **Restricted** – includes amounts that are restricted to specific purposes by external sources (creditors, grantors, contributors or laws or regulations of other governments) or by constitutional provision or enabling legislation. The City's capital projects funds are legally restricted to expenditures for specific purposes.
- **Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through adoption of a subsequent resolution.
- **Assigned** – includes amounts that have been constrained by the City's intent to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The City Council has retained, for itself, the authority to assign or earmark funds for specific use. However, unlike commitments, assignments do not require formal action and generally only exist temporarily. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund.
- **Unassigned** – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be.
- The City's policy would be to use restricted fund balances first when expenditure is made for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance (Continued)**

are available. Otherwise, it is the City's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Net Position**

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

The City's policy would be to use restricted net position first when expenditure is made for purposes for which both restricted and unrestricted net position is available.

**Use of Estimates**

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

**NOTE 2. LEGAL COMPLIANCE – BUDGETS**

**Budgets and Budgetary Accounting**

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Annual budgets are adopted for the General Fund and each special revenue fund. Capital projects funds have project length budgets. The budget is adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by department, which constitutes the legal level of control and the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

Budget revisions at the department level are subject to final review by the City Council. Amendments to the budget were made for the year to reflect greater than expected revenues and increased operating costs in certain departments.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 3. CASH ON DEPOSITS AND INVESTMENT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. State statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. It is the City's policy that any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations. Deposits exceeding FDIC limits secured thru the local government investment pool, "Georgia Fund 1," created by O.C.G.A. 36-83-8 or a collateral pool are acceptable securities. The amount of the total bank balance is classified into three categories of credit risk:

(1) FDIC insured or collateralized with securities held by the City or its agent in its name; (2) collateralized with securities held by the pledging institution's trust department in the City's name; (3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

At June 30, 2023, the bank balance of all deposits was \$316,273 and the carrying amount was \$311,838. Deposits were covered by FDIC insurance up to \$250,000. The City does not have a deposit policy for custodial credit risk.

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2023, for the City's activities in the aggregate are as follows:

The City adopted the property tax levy for the 2021 tax digest year (calendar year) on August 20, 2021 (levy date) based on property values as of January 1, 2021. Taxes were billed on April 1, 2022 (bill date) and due on June 30, 2022 (lien date). Taxes collected between April 1, 2022, and June 30, 2022, or within the current fiscal year on the 2021 tax digest are reported as revenue in the governmental funds for fiscal year 2023. Taxes collected within the current fiscal year on the 2022 tax digest are reported as deferred revenue in the governmental funds for fiscal year 2023. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2022, for maintenance and operations amounted to \$132,398.

The tax millage rate levied for the 2021 tax digest year (calendar year) for the City was as follows (a mill equals \$1 per thousand dollars of assessed value):

City Operations	<u>8.940</u>	mills
-----------------	--------------	-------

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$42,166 during fiscal year ended June 30, 2023.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

<u>Governmental Activities:</u>	<u>Balances</u> <u>June 30, 2022</u>	<u>Beginning Balances</u> <u>July 1, 2022</u> <u>(Restated)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u> <u>June 30, 2023</u>
<b>Capital Assets Not Depreciated:</b>					
Land	\$ -	\$ 278,120	\$ -	\$ -	\$ 278,120
Total Capital Assets Not Depreciated	<u>-</u>	<u>278,120</u>	<u>-</u>	<u>-</u>	<u>278,120</u>
<b>Capital Assets Being Depreciated</b>					
Buildings	-	810,759	65,385	-	876,144
Machinery and Equipment	-	170,475	2,585	-	173,060
Vehicles	-	280,394	80,836	-	361,230
Total Capital Assets Being Depreciated	<u>-</u>	<u>1,261,628</u>	<u>148,806</u>	<u>-</u>	<u>1,410,434</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings	-	550,388	20,603	-	570,991
Machinery and Equipment	-	170,475	287	-	170,762
Vehicles	-	260,394	18,667	-	279,061
Total Accumulated Depreciation	<u>-</u>	<u>981,257</u>	<u>39,557</u>	<u>-</u>	<u>1,020,814</u>
Total Capital Assets Depreciated, Net	<u>-</u>	<u>280,371</u>	<u>109,249</u>	<u>-</u>	<u>389,620</u>
<b>Governmental Activities - Capital Assets, Net</b>	<u>\$ -</u>	<u>\$ 558,491</u>	<u>\$ 109,249</u>	<u>\$ -</u>	<u>\$ 667,739</u>

Depreciation expense for the year ended June 30, 2023, was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	<u>Depreciation</u> <u>Expense</u>
General government	\$ 12,909
Public safety	25,060
Public works	<u>1,589</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 39,558</u>

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 6. RESTRICTED ASSETS**

Restricted cash is related to the following funds for the year ended June 30, 2023:

Restrictions:	Governmental Activities
Restricted for:	
Capital Projects	\$ 119,393
Law Enforcement	3,189
Net Pension Assets	168,483
Total Restricted Cash	\$ 291,065

**NOTE 7. LONG-TERM DEBT**

The City currently has no outstanding financing debt. The following is a summary of long-term debt activity for the year ended June 30, 2023:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Compensated absences (1)	5,199	17,958	(16,234)	6,923	6,923
Total	\$ 5,199	\$ 17,958	\$ (16,234)	\$ 6,923	\$ 6,923

(1) Typically, compensated absences under governmental activities are paid by the General Fund. The City encourages and expects employees will use leave time annually as it accrues.

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund activity consisted of the following for the year ended June 30, 2023:

Due to and due from other funds are transactions recorded for interfund receivables and payables which arise from interfund transactions.

Interfund balances exist due to various vendor payments being made by the general fund for expenditures that occurred in other funds. Interfund balances on June 30, 2023, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 25,327	\$ -
SPLOST Fund	-	25,327
	\$ 25,327	\$ 25,327

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

Interfund transfers for the year ended June 30, 2023, consisted of the following:

	Transfers From			
Transfers to	Confiscated Assets	American Rescue Plan Act	SPLOST	Total
General Fund	\$ <u>3,732</u>	\$ <u>40,000</u>	\$ <u>15,209</u>	\$ <u>58,941</u>

**NOTE 9. FUND EQUITY**

The City's financial statements include the following amounts presented in the aggregate on June 30, 2023:

Restricted			
Capital Projects	\$	138,872	
Law Enforcement		<u>3,292</u>	142,164
Unassigned			<u>10,851</u>
Fund Balance, June 30, 2023			\$ <u><u>153,015</u></u>

When multiple categories of fund balance are available for expenditures, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**NOTE 10. PENSION PLANS**

**Plan Description**

The City, as authorized by the City Council, has established The City of Aragon Retirement Plan (CBRP), a defined benefit pension plan, covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investments on behalf of the CBRP. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at [www.gmanet.com](http://www.gmanet.com) or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

*Eligibility:* Eligible Regular Employees do not have a waiting period before participating in the plan. Eligible Regular Employees include employees, other than elected or appointed members of the Governing Authority or Municipal Legal Officers, who satisfy the minimum hours and months conditions of 20 regularly scheduled hours per week and 5 regularly scheduled months per year.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 10. PENSION PLANS (Continued)**

**Plan Description (Continued)**

Benefits Provided: The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service and vest after 10 years of service. Participants are eligible for normal retirement benefits at age 65 with 5 years of service. Participants are eligible for early retirement with reduced benefits based on the early retirement reduction table at age 55 with 10 years of service. The benefit formula is 1.00% - 1.75%.

To receive full benefits, an employee must be age 65 with at least 5 years of service. Early retirement is possible at age 55 and 10 years of service. Employee benefits vest after 5 years of service. The benefit is based on the highest five years average earnings. Employees do not contribute toward the plan.

Plan Membership: On January 1, 2023, the date of the most recent actuarial valuation, there were 19 participants consisting of the following:

Retired participants and beneficiaries	5
Vested former participants	5
Active participants	9
Total	19

Contributions. Employees make no contributions to the plan. The City is required to contribute at an actuarially determined rate. The plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The City's actuarially determined contribution rate for the fiscal year ended June 30, 2023 was \$8,217, or 2.10% of covered payroll. Covered payroll for the fiscal year ending June 30, 2023, was \$360,491.

**Net Pension Liability of the City**

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

Actuarial data developed in connection with the City's actuarial valuation as of January 1, 2023, were used to measure total pension liability as of March 31, 2023. The balances as of March 31, 2023, constitute measurements of the net pension liability for the year ending June 30, 2023.

Actuarial assumptions. The total pension liability (asset) in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%
Projected salary increases	2.25% (plus service base merit increases)
Cost of living adjustments	2.25%

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 10. PENSION PLANS (Continued)**

**Net Pension Liability of the City (Continue)**

Mortality rates for were based on the Sex-distinct Pri-2012 headcount weighted Healthy Retiree Mortality Table with rates multiplied by 1.25, and on the Sex-distinct Pri-2012 headcount weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The methods and assumptions used in the January 1, 2023, valuation were approved by the Board in December 2019 based on the results of an actuarial experience study for the period January 1, 2015, through June 30, 2019, conducted by Segal in November and December of 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2023, are summarized in the table below.

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	45%	6.40%
International equity	20%	6.80%
Domestic fixed income	20%	0.40%
Real estate	10%	3.90%
Global fixed income	5%	0.46%
Cash	0%	-
	<u>100%</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the recommended contribution rate as actuarially determined. 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 of the projected benefit payments to determine the total pension liability.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 10. PENSION PLANS (Continued)**

**Net Pension Liability of the City (Continue)**

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the year ended December 31, 2023, were as follows:

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.375 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.375 percent) or 1 percentage-point higher (8.375 percent) than the current rate:

	1% Decrease 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%
City's net pension liability(asset)	\$ (163,147)	\$ (207,361)	\$ (243,845)

*Changes in the Net Pension Liability of the City.* Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at March 31, 2023	\$ 380,459	\$ 692,822	\$ (312,363)
Changes for the year:			
Service cost	10,772	-	10,772
Interest	28,024	-	28,024
Differences between expected and actual experience	(43,758)	-	(43,758)
Contributions - employer	-	8,217	(8,217)
Contributions - employee	-	-	-
Net investment income	-	(110,638)	110,638
Benefit payments, including refunds of employee contributions	(22,482)	(22,482)	-
Administrative expense	-	(7,543)	7,543
Other changes	-	-	-
Net changes	(27,444)	(132,446)	105,002
Balances at March 31, 2023	\$ 353,015	\$ 560,376	\$ (207,361)

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 10. PENSION PLANS (Continued)**

**Net Pension Liability of the City (Continue)**

estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2023.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2023, the City recognized pension expense of (\$55,258). At June 1, 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	\$ 1,082	\$ (42,175)
Changes in assumptions	-	(336)
Net difference between projected and actual earnings on pension plan investments	70,962	-
City contributions subsequent to the measurement date	5,851	-
<b>Total</b>	<u>\$ 77,895</u>	<u>\$ (42,511)</u>

City contributions of \$5,851 subsequent to the measurement date and are thus reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	\$ (1,355)
2025	(3,271)
2026	1,973
2027	32,186
<b>Total</b>	<u>\$ 29,533</u>

**NOTE 11. RISK MANAGEMENT**

**Insurance**

**Commercial Insurance**

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF ARAGON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

---

**NOTE 11. RISK MANAGEMENT (Continued)**

**Workers' Compensation**

The City has joined together with other municipalities in the state as part of the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pool currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers this risk pool.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the fund.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member governments' contract and in accordance with the workers' compensation laws of Georgia. The fund is to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation of defense.

**Unemployment Compensation**

The City is self-insured with regard to unemployment compensation claims. The City accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

**Federal Grants**

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the City. However, the City believes that such disallowances, if any, will be immaterial to its overall financial position.

**Litigation**

The City is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine City operations. The ultimate disposition of these proceedings is not presently determinable but is not believed to have a material adverse effect on the financial condition of the City.

**NOTE 13. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through June 13, 2023, the date which the financial statements were available to be issued. There were no items noted that required disclosure or modification to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

---

CITY OF ARAGON, GEORGIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION  
 LIABILITY (ASSET) AND RELATED RATIOS

SCHEDULE "1"

For the Year Ended June 30	2023	2022
Total pension liability		
Service cost	\$ 10,772	\$ 10,953
Interest	28,024	27,566
Differences between expected and actual experience	(43,758)	(11,242)
Benefit payments, including refunds of employee contributions	(22,482)	(19,270)
Net change in total pension liability	(27,444)	8,007
Total pension liability - beginning	380,459	372,452
Total Pension liability - ending (a)	\$ 353,015	\$ 380,459
Plan fiduciary net position		
Contributions - employer	\$ 8,217	\$ 8,263
Contributions - employee	-	-
Net investment income	(110,638)	137,979
Benefit payments, including refunds of employee contributions	(22,482)	(19,270)
Administrative expense	(7,543)	(7,875)
Net change in plan fiduciary net position	(132,446)	119,097
Plan fiduciary net position - beginning	692,822	573,725
Plan fiduciary net position - ending (b)	\$ 560,376	\$ 692,822
Net pension liability (asset) - ending: (a) - (b)	\$ (207,361)	\$ (312,363)
Plan's fiduciary net position as a percentage of the total pension liability	158.74%	182.10%
Covered-employee payroll	\$ 391,123	\$ 307,513
Net pension liability (asset) as a percentage of covered payroll	-53.02%	-101.58%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF ARAGON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS

SCHEDULE "2"

<u>For the Year Ended June 30</u>	<u>2023</u>	<u>2022</u>
<b>Total pension liability</b>		
Actuarially determined contribution	\$ 8,510	\$ 8,194
Contributions in relation to the actuarially determined contribution	<u>\$ 7,801.0</u>	<u>\$ 8,217</u>
Contribution deficiency (excess)	<u>\$ 709</u>	<u>\$ (23)</u>
City's covered payroll	\$ 391,123	\$ 425,000
Contribution as a percentage of covered payroll	1.99%	1.93%

CITY OF ARAGON, GEORGIA  
 NOTES TO THE REQUIRED  
 SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE "3"

**Valuation Date:**

The actuarially determined contribution rate was determined as of January 1, 2022 with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2023.

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A
Asset Valuation Method	

Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

**Actuarial Assumptions:**

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	2.25%
Retirement Age	Inactive vested participants are 65
Mortality	Health mortality rates were based on the sex-distinct PRI-2012 head count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

**Changes of assumptions**

There were no changes in assumptions in the last two fiscal years.

**Benefit changes**

There were no changes in benefit provisions in the last two fiscal years.

SUPPLEMENTARY INFORMATION

---

CITY OF ARAGON, GEORGIA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES BUDGET AND ACTUAL  
Year Ended June 30, 2023

REVENUES	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER (UNDER)
Property Taxes	\$ 644,500.00	\$ 644,500.00	\$ 661,500.00	\$ 17,000.00
Licenses and Permits	\$ 16,200.00	\$ 16,200.00	\$ 18,200.00	\$ 2,000.00
Charges for Services	\$ 118,050.00	\$ 118,050.00	\$ 180,065.00	\$ 62,015.00
Fines and Forfeitures	\$ 90,000.00	\$ 90,000.00	\$ 30,000.00	\$ (60,000.00)
Investment Earnings	\$ 10.00	\$ 10.00	\$ 10.00	\$ -
Contributions and Donations	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ -
Miscellaneous	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -
<b>Total Revenues</b>	<b>\$ 879,760.00</b>	<b>\$ 879,760.00</b>	<b>\$ 900,775.00</b>	<b>\$ 21,015.00</b>
<b>Expenditures</b>				
<b>Current</b>				
General Government	\$ 357,285.00	\$ 357,285.00	\$ 393,513.00	\$ 36,228.00
Judicial	\$ 81,880.00	\$ 81,880.00	\$ 75,596.00	\$ (6,284.00)
Public Safety	\$ 221,573.00	\$ 221,573.00	\$ 230,953.00	\$ 9,380.00
Public Works	\$ 178,094.00	\$ 178,094.00	\$ 181,783.00	\$ 3,689.00
Culture and Recreation	\$ 19,580.00	\$ 19,580.00	\$ 18,930.00	\$ (650.00)
Housing and Development	\$ 21,348.00	\$ 21,348.00	\$ -	\$ 21,348.00
<b>Total Expenditures</b>	<b>\$ 879,760.00</b>	<b>\$ 879,760.00</b>	<b>\$ 900,775.00</b>	<b>\$ 63,711.00</b>
Excess of Revenues over (under) Expenditures	\$ -	\$ -	\$ -	\$ 84,726.00
<b>OTHER FINANCING SOURCES</b>				
Other sources	\$ -	\$ -	\$ 103,438.00	\$ 103,438.00
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,438.00</b>	<b>\$ 188,164.00</b>
Fund Balances-Beginning	\$ (165,388.57)	\$ (165,388.57)	\$ (54,759.50)	\$ 110,629.07
Fund Balances-Ending	\$ (165,388.57)	\$ (165,388.57)	\$ 48,678.50	\$ 298,793.07

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements

CITY OF ARAGON, GEORGIA  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2023

Schedule "5"

PROJECT	Original Estimated Cost (1)	Current Estimated Costs (2)	Amount Expended In Current Year (3)	Amount Expended In Prior Years (3) (4)	Total Expended
<b>2023 SPLOST</b>					
Public Safety Equipment	\$ 159,000.00	\$ 159,000.00	\$ 88,592.00	\$ 46,024.42	\$ 134,616.42
Public Works Equipment	\$ 25,000.00	\$ 25,000.00	\$ -	\$ 25,000.00	\$ 25,000.00
Municipal Infrastructure Improvements	\$ 227,200.00	\$ 240,000.00	\$ 3,348.00	\$ -	\$ 3,348.00
Technology Improvements	\$ 40,000.00	\$ 40,000.00	\$ -	\$ 5,515.10	\$ 5,515.10
<b>Total</b>	<u>\$ 451,200.00</u>	<u>\$ 464,000.00</u>	<u>\$ 91,940.00</u>	<u>\$ 76,539.52</u>	<u>\$ 168,479.52</u>

- (1) The City's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The City's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Polk County approved the imposition of a 1% sales tax to fund the above projects.
- (4) Amounts Expended in prior years for years ended June 30, 2021 and prior have not been subject to audit procedures.
- (5) In addition to the expenditures shown above, the City incurred expenditures related to the Polk County county-wide recreation of:

Current Year      \$ 91,940.00

INTERNAL CONTROL AND COMPLIANCE SECTION

---

**RL Jennings & Associates, PC**  
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA  
Marvin Chance, CPA  
Joe H. Sapp, CPA

Member of  
American Institute of  
Certified Public Accountants  
Georgia Society of  
Certified Public Accountants

Katherine S. Washington, CPA, PC  
David E DeScalzo, CPA, CFE, PC  
David Morgan, CPA

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*

To the City Council  
City of Aragon, Georgia

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, each major fund, and the aggregate remaining fund information of City of Aragon, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Aragon, Georgia's basic financial statements and have issued our report thereon dated December 29, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Aragon, Georgia'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 Aragon, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Aragon, Georgia'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 items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007 and 2023-008 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 items 2023-009, 2023-010, 2023-011 and 2023-012

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Aragon, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

506 East Third Street  
Rome, Georgia 30161  
Phone 706.802.1945 Fax 706.802.1279  
www.romecca.com

105 Mae Street  
Centre, Alabama 35960  
Phone 256.927.5431  
www.centrecpa.com

14224 Hwy 515 North Suite 700  
Ellijay, Georgia 30540  
Phone 706.273.1945 Fax 706.273.1946  
www.ellijaycpa.com

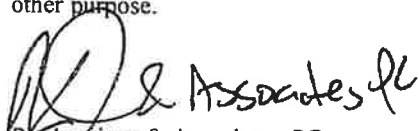
accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-002.

**City of Aragon, Georgia's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Aragon, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Aragon, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

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

  
R. Jennings & Associates, PC  
Rome, GA  
December 29, 2025

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

**Material Weaknesses:**

**2023-001 – Material Adjustments to Financial Statements**

**Criteria:** The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition/Context:** Material adjustments to all account classes were required to prevent the financial statements from being materially misstated. This resulted in inaccurate information from which management was operating and making financial decisions throughout the year, as well as year-end reporting of financial results.

**Cause:** Activity in the subledgers was not regularly reconciled to the general ledger in order to correct errors or misstatements.

**Effect:** As a result of the misstatement, all account classes were materially misstated.

**Recommendation:** Activity in the subledgers and software modules should be reconciled to the general ledger monthly so that errors in financial information can be prevented or corrected in a timely manner.

**Response:** The City agrees with this finding. The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.

**2023-002: Lack of Segregation of Duties**

**Criteria:** Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, general ledger and bank reconciliation.

**Condition/Context:** During the course of the audit, we noted many critical duties are combined and given to the available employees.

**Cause:** The limited number of employees working in the office and the resulting overlapping of duties causes segregation of duties to be difficult.

**Effect:** Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

**Recommendation:** To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements and maintaining the general ledger. In situations where additional personnel are not available, an effort should be made to divide the duties of the available personnel in such a manner as to achieve the greatest possible segregation of duties. Increased Council involvement in the City's finances is also encouraged to strengthen internal controls. When these suggestions are implemented the City's system of internal control will be enhanced, so that the risk of employee misappropriation of assets is reduced.

**Response:** The lack of segregation of duties is a recurring item as the limited number of employees makes segregation of duties difficult to accomplish. Management plans to continue close involvement with the City's finances to aid in this matter.

**2023-003 – Timeliness of Transfers and Repayment of Interfund Balances**

**Criteria:** Cash required to be transferred between funds should occur as the transaction is executed. The amount transferred should be for exact transaction amounts. In the event the transfer is not executed on the day of the transaction, amounts owed between funds should be repaid in a timely manner. No interfund balances should be carried forward beyond one fiscal year.

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

**Condition/Context:** Transfers required to repay various funds or move monies to the appropriate fund were not made in a timely manner or at all.

Additionally, transfers to the appropriate funds are required in order for the City to maintain compliance with the legal provisions for the use of grant awards. When the legal provisions of the awards have been met, such as ARPA grant funding or other state grant awards, the release of those monies should be reflected in a transfer of cash from the appropriate Special Revenue Fund to the General Fund or Capital Projects Fund to reflect the use of cash spent in accordance with the regulations. Although cash transfers were made in 2023, not all amounts agreed with the exact amounts earmarked to be transferred. In addition, several interfund balances have been outstanding for more than two years.

**Cause:** Transfers of money were not made in a timely manner. Several transferred amounts were not made in the appropriate amount.

**Effect:** The failure to transfer cash in a timely manner and in the appropriate amount has resulted in material interfund balances owed between the General Fund and the SPLOST Fund.

**Recommendation:** It is our recommendation that interfund balances reconciled at the end of calendar year 2023 be repaid immediately, and all subsequent transfers in the future should be made either on a monthly basis as appropriate, or on the date the related grant transaction occurs.

**Response:** The staff has repaid all interfund balances noted in the reconciled balances at the end of 2023. Going forward, with the assistance of management, The City will implement controls to ensure that all future transfers are made on a timely basis.

#### **2023-004 Bank Reconciliations**

**Criteria:** An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank to book balances each month. Proper posting of all transactions and supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

**Condition/Context:** Formal bank account reconciliations were not prepared by the City's staff on a timely basis for all accounts. An administrative review of monthly bank reconciliations, to determine that bank reconciliations were correct and that all required adjustments had been made, was not performed. Processes were not in place to ensure cash activity was maintained in the proper fund in the general ledger. Inadequate separation of duties was noted in that the same individuals collect cash, record transactions into the ledger, prepare, approve, and take the bank deposit to the bank, and perform the bank reconciliation.

**Cause:** In discussing these deficiencies with the City, it was determined that the City did not establish policies nor did they implement procedures to require preparation of a complete reconciliation of all accounts to the general ledger balance or to require the bank reconciliation to be reviewed by an independent person.

**Effect:** Bank accounts that are not reconciled accurately are more susceptible to errors and irregularities that are not discovered in the normal course of business. Errors in cash that are not investigated in a timely manner could result in undetected misappropriation.

**Recommendation:** The City should design and implement controls over cash to ensure (1 a formal reconciliation is completed for all accounts each month to the balance in the general ledger subsequent to completion of business operations for that month, (2 cash activity is maintained in the proper funds, and (3 bank reconciliations are performed by someone independent of the general ledger. Any differences should be thoroughly investigated,

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

resolved, and documented. Proper timely bank reconciliations will minimize the possibility of mistakes by the bank or the City being overlooked.

**Response:** The City agrees with this finding, The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.

**FS 2023-005 Revenues/Receivables/Receipts**

**Criteria:** The City's management is responsible for designing and maintaining internal controls that provide proper separation of duties and provide reasonable assurance transactions are processed according to established procedures.

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they are earned for exchange transactions and when the eligibility requirements of non-exchange transactions have been met, and funds are measurable and available.

Official Code of Georgia Annotated (O.C.G.A.) §36-81-7(c)(1) requires that the City must prepare their financial statements in accordance with generally accepted accounting principles.

O.C.G.A. §48-5-29(d) requires any payment made by the taxpayer which is in excess of his or her finally determined tax liability and shall be refunded to the taxpayer.

O.C.G.A. §50-18-99(f) requires that the City develop retention schedules based on the legal, fiscal, administrative, and historical needs of the records and a records management plan.

**Condition/Context:** The accounting procedures of the City were insufficient to provide adequate internal controls over revenues/receivables/receipts. During our engagement, we noted deficiencies over revenue as follows:

**Property Taxes**

The subsidiary ledger was not reconciled to the general ledger resulting in an understatement of accounts receivable of \$1,793 and deferred inflow of resources of \$13,091 on the government-wide and governmental fund statements. An adjustment was proposed by the auditors and accepted by the City.

Property taxes were billed on April 1, 2023, for fiscal year 2022. Due to eligibility requirements not being met, deferred inflows were understated by \$199,478 and property tax revenue was overstated by \$28,842. Property tax payments were not maintained with an adequate level of detail to consistently determine the appropriate billing to which the receipt belonged. No subsidiary ledgers are maintained. Inadequate separation of duties was noted in that the same individuals maintain the tax digest and send out billings, without a monitoring function in place.

**Fines and Citations**

A sample of 29 citations with modifications was randomly selected for testing using random sampling approach. 3 were noted to have duplicate citation numbers. Inadequate separation of duties was noted in that the same individual prepares documentation for the court and maintains the records, including updating for judicial rulings, without a monitoring function in place.

**Garbage Fees**

Billing for garbage fees are manually prepared based on a hand kept list. There are no subsidiary ledgers to track receipts and account balances for customers. The garbage collection registration form lacks documented verification to confirm whether individuals meet the senior citizen age requirements for the discounted garbage rate. Inadequate separation of duties was noted in that the same individuals process new customers, maintain the customer listing, send billings, record payments, and can adjust without a monitoring function in place.

**Cause:** In discussing these deficiencies with the city, it was determined that these errors were caused due to the insufficient resources to perform reconciliation activities and the City operating with a cash basis focus. Additionally, the City noted documentation was not maintained due to inadequate policies and procedures to require records retention and lack of monitoring.

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

**Effect:** Auditors were unable to support certain financial statement amounts or had to perform additional procedures to confirm the balances with a third party. The lack of controls and monitoring impacted on the reporting of the City's financial position and results of operations, as well as resulted in noncompliance with State law.

**Recommendation:** Formal policy and procedures should be established to ensure collections are reconciled to deposits, as well as ensure subsidiary ledgers are reconciled to the general ledger. The City Council or a Council-designated independent person should review the reconciliations. A formal records retention schedule should be established, and monitoring controls should be implemented to ensure records are maintained in accordance with the schedule. We recommend management carefully review all year-end balances of accrued revenues and consider applicable accounting guidance based on transaction type (exchange and non-exchange transactions) to ensure revenues are properly valued and reported in the proper period. Lastly, in accordance with O.C.G.A. §48-5-29(d), the City must refund property taxes collected to all taxpayers which were assessed above the approved millage rate.

**Response:** We agree with this finding. In 2024 this was accomplished by The City, as was recommended by the outside accounting firm that was hired to perform accounting services to include bookkeeping and reporting.

**FS 2023-006 Financial Reporting**

**Criteria:** Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The City's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments (Statement), requires governments to present government-wide and fund financial statements as well as summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total changes in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements. Official Code of Georgia Annotated (O.C.G.A.) §36-81-7(c)(1) requires that the City must prepare their financial statements in accordance with generally accepted accounting principles.

Official Code of Georgia Annotated (O.C.G.A.) §36-81-7(d)(1) requires that the City obtain an annual audit report and forward to the state auditor within 180 days after the close of the City's fiscal year.

**Condition/Context:** The City's internal controls over preparing financial statements were inadequate for ensuring timely and accurate reporting. The City did not submit audited financial statements to the state auditor in compliance with state law within 180 days of the City's fiscal year end. City personnel require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Previously, the City has relied on the external auditor for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements.

**Cause:** City staff do not have proper training in generally accepted accounting principles to implement them or prepare financial statements. Additionally, the City has been unable to secure outside services to prepare financial statements.

**Effect:** Without timely and complete financial statements, the City cannot effectively monitor its financial condition or make financial decisions. Failure to understand the financial statements may lead to material misstatements. The City did not submit an audit report in compliance O.C.G.A. §36-81-7(d)(1). Noncompliance with state law could impact the City's eligibility for state grant funds and could require previously awarded grant funds to be returned to the state.

**Recommendation:** The City should strengthen their internal controls and preparation and review procedures over financial reporting. Specifically, the City should train and provide resources to staff members in the accounting department responsible for producing reliable and complete annual financial statements. When necessary, the City should hire/consult with a Certified Public Accountant.

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

**Response:** We agree with this finding. The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.

**2023-007 Confiscated Asset Fund**

**Criteria:** The City's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

GASB Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

O.C.G.A. §36-81-7(c)(1) requires that the City must prepare their financial statements in accordance with generally accepted accounting principles.

O.C.G.A. §9-16-19(g)(2) requires that City must maintain records for proceeds and expenditures of seized funds.

**Condition/Context:** There was a lack of oversight over the confiscated asset fund.

The City of Aragon Police Department maintains separate bank accounts for the Confiscated Asset Fund. The purpose of these accounts is to clearly separate the proceeds and use of funds from other City activities. The transactions and the resulting balances were not consistently included in the City's accounting records and thus were not included in the City's monthly financial reports.

The following items were noted:

No formal policies or procedures have been established for confiscated asset funds.

**Cause:** Policies have not been established, and procedures have not been implemented to maintain adequate financial records for the Confiscated Asset Fund.

**Effect:** Without satisfactory accounting policies and procedures, the City could place itself in a position where potential misappropriation of assets could occur. The lack of policies and procedures impacted on the reporting of the City's financial position and results of operations, as well as, resulted in noncompliance with State law.

**Recommendation:** The City should design and implement accounting policies and procedures to ensure decentralized department operations are routinely monitored and accounted for in the City's general ledger. For better accountability, financial and budgetary control, the financial activity and balances of all City operations should be included in the City's accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all receipts and disbursements.

**Response:** We agree with this finding. The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.

**FS 2023-008 Capital Assets**

Internal Control Impact: Material Weakness

Compliance Impact: Material Noncompliance

**Description:** The City does not have a capital asset policy or listing.

**Criteria:** Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The City's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government’s major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

O.C.G.A. §36-81-7© (1) requires that the City must prepare their financial statements in accordance with generally accepted accounting principles.

**Condition/Context:** The City does not have a capital asset policy or listing. We noted during our audit procedures that the City does not maintain adequate records for capital assets. The following issues were noted:

The City does not have a capital asset policy that documents capitalization thresholds, asset useful lives, or a depreciation method.

The City does not maintain a subsidiary ledger which includes the asset identifiable information, acquisition cost, acquisition date, and depreciation information.

The City has not performed an annual physical inventory of fixed assets.

**Cause:** In discussing these deficiencies with the City, it was determined that this was due to a lack of available resources to create and maintain a capital asset listing.

**Effect:** Without a proper internal control system established over capital asset records there is an increased risk of misappropriation of City assets. Additionally, the lack of appropriate capital asset records results in the inability of the City to report financial statements in accordance with generally accepted accounting principles.

**Recommendation:** We recommend that the City establish formal policies and procedures that ensure a proper internal control system over the maintenance of capital asset records. Policies and procedures should include the maintenance of a subsidiary ledger that reconciles to the financial statements and the performance of an annual physical inventory.

**Response:** We agree with this finding. The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting. This includes maintaining a fixed asset listing and depreciation schedules.

**Significant Deficiencies:**

**2023-009 SPLOST Funds**

**Criteria:** SPLOST Funds are to be used for capital projects only as outlined in the current SPLOST referendum passed in 2018.

**Condition/Context:** In order to comply with the restriction requirements of the use of SPLOST funds separate records must be kept to ensure only approved expenditures are paid from these funds.

**Cause:** The City has used SPLOST funds to pay for general funds expenditures.

**Effect:** This causes a due from General fund to the SPLOST fund, which is not allowed, as well as an overstatement of expenses in the General fund and understatement of fund balance in the SPLOST fund.

**Recommendation:** The City must design procedures to track allowed expenses for SPLOST funds.

**Response:** We agree with this finding. The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

**2023-010 Expenses and Accounts Payable**

**Criteria:** The City's management is responsible for designing and implementing internal controls to provide reasonable assurance that transactions are processed according to established policies and that expenditure and accounts payable are recorded and reported accurately.

Generally accepted accounting principles require timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows.

Official Code of Georgia Annotated (O.C.G.A.) §36-81-7(c)(1) requires that the City must prepare their financial statements in accordance with generally accepted accounting principles.

O.C.G.A. §50-18-99(f) requires that the City must maintain records of activity paid for by public funds.

O.C.G.A. §50-18-99(c) states all records created or received in the performance of a public duty and paid for by public funds by a governing body are deemed to be public property and shall constitute a record of public acts.

**Condition/Context:** The accounting procedures of the City were insufficient to provide adequate internal controls over expenses and accounts payable.

During our engagement, we noted deficiencies over disbursements, as follows:

Expenditures and accounts payable were understated by \$52,266 on the government-wide statements and the governmental fund statements due to accounts payable not being properly recorded. An adjustment was proposed by the auditors and accepted by the City.

A sample of 65 expenditures were randomly selected for testing using a random sampling approach. Additionally, 56 individually significant expenditures were selected. There was no support for management approval for any of the expenditures. Support for 20 of the randomly selected and 3 of the individually significant expenditures which totaled \$20,076 could not be provided.

Prepaid assets were overstated and expenditures were overstated by \$7,438 on the government-wide statements and the governmental fund statements due to no review of the general ledger occurring to reclassify the prepaid asset to expenditures. An adjustment was proposed by the auditors and accepted by the City.

Inadequate separation of duties was noted in that the same individual can make purchases, record activity, and prepare cash disbursements without a monitoring function in place.

**Cause:** Internal controls over cut-off of accounts payable were not in place to ensure all expenses/expenditures were reported in the proper period. Additionally, the City noted documentation was not maintained due to inadequate policies and procedures to require records retention and lack of monitoring.

**Effect:** Audit adjustments across various funds were required to properly state expenses/expenditures and accounts payable.

**Recommendation:** We recommend that the City reconcile all accounts payable balances in a timely manner to ensure all transactions are properly recognized during the correct period and reported in accordance with generally accepted accounting principles.

**Response:** We agree with this finding. The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.

**FS 2023-011 Compensation**

**Criteria:** The City's management is responsible for designing and maintaining internal controls that provide reasonable assurance for employees and elected officials are paid according to approved salary schedules and documentation is maintained to support the salary payments.

Pursuant to the Official Code of Georgia Annotated (O.C.G.A.) §36-35-4 the governing authority of each municipal corporation is authorized to fix the salary, compensation, and expenses of its municipal employees and the members of its municipal governing authority. Additionally, any action to increase the salary or compensation of the elective members of the municipal governing authority is subject to additional conditions and requirements as set forth in O.C.G.A. §36-35-4a (1-3).

**Condition/Context:** The City's policies and procedures were insufficient to provide adequate internal controls over the employee compensation process.

Based on a review of payroll records, the following deficiencies were noted:

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

Documentation for compensation changes could not be provided for employees. Support of approved payrates for individuals was not maintained.

Bonuses were paid to certain employees that were not first responders out of ARPA Funds of which there was no documentation to support their approval. This is a possible misuse of federal funds.

Agreements for employee pay advances, including the amount advanced and how repayment will occur, could not be provided. A cash payment for repaying an employee advance had no supporting documentation showing the funds were deposited.

**Cause:** In discussing these deficiencies with the City, they stated that these issues were a result of management's failure to ensure formal policies and procedures were documented and that internal controls were established, implemented and functioning.

**Effect:** Prior to adjusting for the misstatements identified, the City's financial information contained significant errors. The lack of satisfactory accounting controls and procedures resulted in noncompliance with State law, additionally the City placed itself in a position where potential misappropriation of assets could occur. Lastly, the City inaccurately reported its taxable compensation for State and Federal taxes.

**Recommendation:** The City should implement formal policies and procedures and strengthen the internal controls over payroll functions. Management should monitor to ensure normal business procedures are followed for all salaries, which includes ensuring salaries are paid according to approved salary schedules and adequate documentation is maintained to support the salary payments. Management should ensure that proper separation of duties exists. In the case when management determines that separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that transactions are properly processed and reported.

**Response:** We agree with this finding. The City is in the process of implementing formal policies and procedures and strengthening the internal controls over payroll functions.

#### **FS 2023-012 Journal Entries**

**Criteria:** Journal entries are a critical component of financial reporting, as they are used to correct errors, allocate expenses, or recognize revenues appropriately. It is imperative that these entries are well-supported, transparent, and in compliance with accounting standards to ensure the integrity of the financial statements. The City's management is responsible for designing and maintaining internal controls that provide reasonable assurance that journal entries are properly approved, documented, and processed.

O.C.G.A. §50-18-99(f) requires that the City develop retention schedules based on the legal, fiscal, administrative, and historical needs of the records and a records management plan.

**Condition/Context:** The accounting policies and procedures of the City were insufficient to provide adequate internal controls over journal entries.

During the course of our audit, we identified several adjusting journal entries made by the City which lacked sufficient documentation and supporting evidence to justify their necessity and accuracy.

**Cause:** These deficiencies were a result of management's failure to adequately monitor and implement procedures to ensure that journal entries were properly approved before posting to the accounting records.

**Effect:** The absence of supporting documents, such as invoices or contracts, makes it challenging to verify the validity and appropriateness of these entries. The lack of adequate internal control over the journal entry process could result in errors in financial reporting and increase the risk of theft, fraud, or misuse of City resources that may result in errors and/or irregularities which would not be detected in a timely manner.

**Recommendation:** Management should establish adequate internal controls and accounting procedures to ensure that all journal entries are supported by appropriate documentation, including invoices, contracts, or detailed explanations that demonstrate the necessity and accuracy of the entry. Management should establish and enforce a robust authorization and approval process for journal entries to prevent unauthorized or inappropriate entries. Lastly,

CITY OF ARAGON, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

management should evaluate and strengthen internal controls to minimize the risk of errors and misstatements that necessitate adjusting entries.

**Response:** We concur with this finding The City has hired an outside accounting firm to perform accounting services to include bookkeeping and reporting.