CITY OF ARAGON, GEORGIA

Annual Financial Report
For the Fiscal Year Ended
June 30, 2014

By Authority of the Mayor and City Council

CITY OF ARAGON, GEORGIA
Annual Financial Report
Year Ended June 30, 2014

FINANCIAL SECTION

Table of Contents

Independent Auditor's Report 1

Basic Financial Statements:

Government Wide Financial Statements:

Statement of Net Assets 3

Statement Of Activities 4

Fund Financial Statements:

Balance Sheet - Governmental Funds 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 6

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 7

Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund-Budget and Actual 8

Statement of Revenues, Expenditures, and Changes in Fund Balances-Capital Projects Fund-2003 SPLOST-Budget and Actual 9

Statement of Revenues, Expenditures, and Changes in Fund Balances-Capital Projects Fund-2008 SPLOST-Budget and Actual 10

Statement of Revenues, Expenditures, and Changes in Fund Balances-Capital Projects Fund-2014 SPLOST-Budget and Actual 11

Notes to the Financial Statements 12

Compliance Section:

Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 23

Schedule of Findings and Responses 25

Schedule of Special Local Option Sales Tax 27

FINANCIAL SECTION

P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
Of the City of Aragon, Georgia

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund of the City of Aragon, Georgia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management is failing to exercise accounting oversight. There is no reconciliation of detail accounts to the general ledger. Records and documents to support transactions are not being appropriately maintained, and are incomplete. We were unable to verify all opening balances. Not all transactions were posted to the general ledger. The City has no listing of its capital assets. The amount by which these departures would affect the assets, fund balances, and revenues of the General and Special Revenue Funds has not been determined.

Disclaimer of Opinion

Since the City was only able to provide limited corroborating evidence in support of the accompanying financial statements and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statements are presented in accordance with generally accepted accounting principles, the scope of work was not sufficient to enable us to express, and we do not express, an opinion of the financial statements referred to in the first paragraph.

Other Matters

Required Supplementary Information

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

Other Information

The Schedules of Special Local Option Sales Tax Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information in these schedules has not been subjected to auditing procedures due to the lack of supporting evidence available. We express no opinion on the Schedules of Special Purpose Local Option Sales Tax.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015, on our consideration of the City of Aragon, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aragon, Georgia's internal control over financial reporting and compliance.

Williamson + Company

Williamson & Company
Certified Public Accountants
June 26, 2015

BASIC FINANCIAL STATEMENTS

CITY OF ARAGON, GEORGIA
Statement of Net Position
June 30, 2014

	Primary Government
	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 78,199
Receivables	57,354
Restricted Cash	11,150
Prepaid Insurance	55,462
Capital Assets	
Land and Improvements	104,372
Other Capital Assets, Net of Depreciation	1,460,955
Total Assets	1,767,492
Liabilities	
Accounts Payable	131,659
Salaries and Wages Payable	2,583
Other Current Liabilities	63,483
Long-Term Liabilities:	
Due Within One Year	37,422
Total Liabilities	235,147
Net Position	
Invested In Capital Assets, Net of Related Debt	1,527,905
Restricted For	
Capital Projects	30,650
Law Enforcement	11,150
Unrestricted	(37,360)
Total Net Position	$ 1,532,345

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities
Primary Government					
Governmental Activities:					
General Government	$ 248,542	$ 25,051	$ -	$ 65,273	$ (158,218)
Municipal Court	104,355	208,899			104,544
Police	289,536	10,315			(279,221)
Fire	47,126	-	-	-	(47,126)
Public Works	174,135	39,417	-	-	(134,718)
Culture and Recreation	32,029	10,978	-	-	(21,051)
Planning and Zoning	7,300	-	-	-	(7,300)
Interest On Long-term Debt	5,202	-	-	-	(5,202)
Total Primary Government	$ 908,225	$ 294,660	$ -	$ 65,273	(548,292)

General Revenues	
Taxes	
Property Taxes	203,258
Local Option Sales Taxes	129,402
Franchise Taxes	48,984
Insurance Premium Taxes	64,428
Alcoholic Beverage Taxes	21,613
Real Estate Transfer	461
Investment Earnings	25
Gain (Loss) on Sale of Capital Assets	23,383
Total General Revenues	491,554
Change In Net Assets	(56,738)
Net Position - Beginning	1,589,083
Net Position - Ending	$ 1,532,345

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2014

	General	2003 SPLOST	2008 SPLOST	2014 SPLOST	Total Governmental Funds
Assets					
Cash	$ 62,342	$ -	$ 15,857	$ -	$ 78,199
Receivables	57,354	-	-	-	57,354
Due From Other Funds	79,516	22,067	72,242	-	173,825
Prepaid Insurance	55,462	-	-	-	55,462
Cash - Restricted	11,150	-	-	-	11,150
Total Assets	265,824	22,067	88,099	-	375,990
Liabilities					
Accounts Payable	131,659	-	-	-	131,659
Salaries and Wages Payable	2,583	-	-	-	2,583
Other Current Liabilities	63,483	-	-	-	63,483
Due to Other Funds	94,309	-	79,516	-	173,825
Total Liabilities	292,034	-	79,516	-	371,550
Fund Balances					
Restricted For					
Capital Improvements	-	22,067	8,583	-	30,650
Law Enforcement	11,150	-	-	-	11,150
Unassigned	(37,360)	-	-	-	(37,360)
Total Fund Balances	(26,210)	22,067	8,583	-	4,440
Total Liabilities and Fund Balances	$ 265,824	$ 22,067	$ 88,099	$ -	$ 375,990

Reconciliation of the Balance Sheet to the Statement of Net Assets

Total Fund Balances - Governmental Funds		$ 4,440
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental Capital Assets	3,297,173	
Less Accumulated Depreciation	(1,731,846)	
		1,565,327
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Leases Payable		(37,422)
Net Assets of Governmental Activities		$ 1,532,345

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	2003 SPLOST Fund	2008 SPLOST Fund	2014 SPLOST Fund	Total Governmental Funds
Revenues					
Taxes	$ 338,744	$ -	$ -	$ -	$ 338,744
Licenses and Permits	10,275	-	-	-	10,275
Charges for Services	65,221	-	-	-	65,221
Fines and Forfeitures	212,164	-	-	-	212,164
Intergovernmental	136,402	-	65,273	-	201,675
Investment Earnings	25	-	-	-	25
Total Revenues	762,831	-	65,273	-	828,104
Expenditures					
Current					
General Government	220,863	-	208	-	221,071
Municipal Court	104,355	-	-	-	104,355
Police	273,292	-	-	-	273,292
Fire	6,760	-	-	-	6,760
Public Works	136,158	-	-	-	136,158
Culture and Recreation	23,957	-	-	-	23,957
Planning and Zoning	7,300	-	-	-	7,300
Debt Service					
Principal	-	-	34,589	-	34,589
Interest	-	-	5,202	-	5,202
Total Expenditures	772,685	-	39,999	-	812,684
Excess (Deficiency) of Revenues Over Expenditures	(9,854)	-	25,274	-	15,420
Special Item					
Proceeds from sale of capital assets	23,383	-	-	-	23,383
Net Change in Fund Balances	13,529	-	25,274	-	38,803
Fund Balances - Beginning	(39,739)	22,067	(16,691)	-	(34,363)
Fund Balances - Ending	$ (26,210)	$ 22,067	$ 8,583	$ -	$ 4,440

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ended June 30, 2014

Net Change in Fund Balances		$ 38,803
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for Capital Assets	-	
Less Current Year Depreciation	(130,130)	
		(130,130)
Issuance and repayment of long-term debt is an other financing source and expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principle Payment On Capital Leases		34,589
Rounding		-
Change In Net Assets Of Governmental Activities		$ (56,738)

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
Revenues				
Taxes	$ 322,600	$ 322,600	$ 338,744	$ 16,144
Licenses and Permits	13,700	13,700	10,275	(3,425)
Charges for Services	51,800	51,800	65,221	13,421
Fines and Forfeitures	220,000	220,000	212,164	(7,836)
Intergovernmental	120,000	120,000	136,402	16,402
Investment Earnings	50	50	25	(25)
Total Revenues	728,150	728,150	762,831	34,682
Expenditures				
Current				
General Government	216,966	216,966	220,863	(3,897)
Municipal Court	42,330	42,330	104,355	(62,025)
Police	295,633	295,633	273,292	22,341
Fire	13,801	13,801	6,760	7,041
Public Works	141,020	141,020	136,158	4,862
Culture and Recreation	12,650	12,650	23,957	(11,307)
Planning and Zoning	5,750	5,750	7,300	(1,550)
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	728,150	728,150	772,685	(44,535)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(9,854)	(9,853)
Special Item				
Proceeds from sale of capital assets	-	-	23,383	23,383
Net Change In Fund Balances	-	-	13,529	13,529
Fund Balances - Beginning	(39,739)	(39,739)	(39,739)	-
Fund Balances - Ending	$ (39,739)	$ (39,739)	$ (26,210)	$ 13,529

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2003 SPLOST Fund
For the Year Ended June 30, 2014

	Project Length Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 250,000	$ 250,000	$ -	$ (250,000)
Investment Earnings	-	-	-	-
Total Revenues	250,000	250,000	-	(250,000)
Expenditures				
Current				
General Government	-	-	-	-
Capital Outlays				
Administration	7,384	7,384	-	7,384
Public Safety	35,170	35,170	-	35,170
Public Works	207,446	207,446	-	207,446
Animal Control	-	-		
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	250,000	250,000	-	250,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	22,067	22,067
Fund Balance - End of Year	$ -	$ -	$ 22,067	$ 22,067

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2008 SPLOST Fund
For the Year Ended June 30, 2014

	Project Length Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 507,600	$ 507,600	$ 65,273	$ (442,327)
Investment Earnings	-	-	-	-
Total Revenues	507,600	507,600	65,273	(442,327)
Expenditures				
Current				
General Government	-	-	209	(209)
Capital Outlays				
Administration	18,200	18,200	-	18,200
Public Safety	287,400	287,400	-	287,400
Public Works	202,000	202,000	-	202,000
Debt Service				
Principal	-	-	34,589	(34,589)
Interest	-	-	5,202	(5,202)
Total Expenditures	507,600	507,600	39,999	467,601
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	25,274	25,274
Net Change in Fund Balance	-	-	25,274	25,274
Fund Balance - Beginning of Year	-	-	(16,691)	(16,691)
Fund Balance - End of Year	$ -	$ -	$ 8,583	$ 8,583

The accompanying notes are an integral part of this financial statement.

CITY OF ARAGON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2014 SPLOST Fund
For the Year Ended June 30, 2014

	Project Length Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 509,000	$ 509,000	$ -	$ (509,000)
Investment Earnings	-	-	-	-
Total Revenues	509,000	509,000	-	(509,000)
Expenditures				
Current				
General Government	-	-	-	-
Capital Outlays				
Administration	186,000	186,000	-	186,000
Public Safety	190,000	190,000	-	190,000
Public Works	133,000	133,000	-	133,000
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	509,000	509,000	-	509,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of this financial statement.

Note 1. Summary of Significant Accounting Policies

The basic financial statements of the City of Aragon are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 government's accounting policies are described below.

A. Reporting Entity

The City of Aragon, Georgia was incorporated in 1914 under the laws of the State of Georgia and adopted its current charter in 1971. It operates under a Mayor and Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Certain potential component units might be considered for inclusion in the financial report because of the significance of the City's influence over their operation or finances. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). In accordance with the above criteria, the City does not include any component units in its financial report.

Joint Ventures, and Related Organizations. The City is required by State law to be a member of the regional development commission (RDC). The City pays its prorata share of operating costs and would be liable for a prorata share of any unpaid liabilities if the RDC were to go out of existence. However, the City has no material equity interest in the RDC and it is not included in these financial statements. Separate financial statements for the RDC are available at the Coosa Valley Regional Development Center in Rome, Georgia.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements use the flow of all-economic resources measurement focus and the accrual basis of accounting. No fiduciary funds are included. Internal activities such as interfund payables and receivables are eliminated at the government-wide level. Governmental fund financial statements employ the current financial resources measurement focus and the modified accrual basis of accounting, primarily for budgeting purposes. The main difference is that "expenditures" include payments for capital assets and current principal paid on long-term debt, since these use current resources, but not depreciation or revenues collected more than two months after year end since they do not use or provide current financial resources. Proceeds from long-term debt are also shown in the governmental funds statement of revenues, expenditures and changes in fund balances, since it is a current resource.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. All other general fund revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports the following major funds:

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

The *SPLOST Funds* account for the special purpose local option sales tax resources and projects approved by the voters.

C. Assets, Liabilities and Equity

1. Cash

Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances to federal and state securities.

2. Receivables

All trade and tax receivables are shown net of an allowance for uncollectibles, if applicable.

3. Prepaid Expenses

Prepaid expenses are recognized during the benefiting period.

4. Restricted Cash and Net Assets

Certain net assets are externally restricted to specific uses by law, contract or donor. The City's policy is to first use restricted resources for restricted purposes when both restricted and unrestricted net assets are available.

5. Capital Assets

All capital assets including infrastructure (paving) are recorded at cost and depreciated (except for land) using the straight-line method over estimated useful lives ranging from 5 to 20 years for equipment, 20 to 50 for buildings and improvements and 20 to 50 for infrastructure. Construction interest is capitalized and included in the cost of any constructed fixed assets. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over their estimated useful lives. Capital items costing less than $1,000 are expensed.

6. Fund Equity

Fund equity at the governmental fund reporting level financial is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable – fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (for example, items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- Restricted – fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- Committed – fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

- Assigned – fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.

- Unassigned – fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in general fund. Negative unassigned fund balance may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted fund balance, it is the City's policy to use fund balance in the following order: committed, assigned and unassigned.

Net Position – represents the different between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of

accumulated depreciation, reduced by the outstanding balances of any unspent

borrowings for the acquisition and/or construction of capital assets. Net position may be reported as restricted or unrestricted.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City had no items that qualified as a deferred outflow of resources for fiscal 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City had no items that qualified as a deferred inflow of resources for fiscal 2014.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

The City's charter, adopted in 1971, requires the Council to adopt a budget and approve all expenditures, but is silent as to desired level of budgetary control. However, Georgia law requires the budget to be presented at least at the departmental level. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The budget is prepared by function (department), and activity. The proposed budget is presented to the Mayor and Council for review. The Council holds public hearings and may make changes prior to adoption by ordinance. During the year, the Mayor may make transfers within departments, but expenditures may not legally exceed budgeted appropriations at the function level. Changes that alter total revenues/expenditures must be approved by an affirmative vote of a majority of the council. Prior to year-end, the Council may make amendments to the budget by approving additional expenditures or revenues. All annual appropriations lapse at year-end.

In the General Fund, expenditures exceeded appropriations in the following departments:

General Government	$ 3,897
Municipal Court	62,025
Culture and Recreation	11,307
Planning and Zoning	1,550

Note 3. Cash Deposits With Banks

At year-end, the book balance of the City's deposits was $89,349 and the bank balances were $90,228. The City's deposits are insured up to $90,228 by the FDIC as of the year end and any remaining balance is collateralized with securities held by the bank's trust department in the City's name. This represents a category 2 level of risk. The City has no investments.

Note 4. Property Taxes

Property taxes were levied in 2013 on property values assessed as of January 1. Due to uncertainty in prior years as to when the digest would be received from the county, the levy is the following year and becomes delinquent on June 30, at which time the property is subject to lien, and penalties and interest are assessed. Assessed value is 40% of the estimated or appraised market value. Taxes receivable on June 30, are booked as revenues for government wide financial statements, but only the taxes collected in July and August of the following year are booked as revenue for the General Fund financial statements.

Tax receivable at June 30, 2014 totaled $9,632. Taxes were assessed at $12 per $1,000 of assessed value. The total taxable assessed value of property was $15,831,931, and the estimated market value was $39,579,828. Total taxes billed were $179,684.

Note 5. Capital Assets

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Capital Assets				
Land	$ 104,372	$ -	$ -	$ 104,372
Depreciable Capital Assets				
Buildings and Improvements	1,503,995	-	-	1,503,995
Infrastructure	41,203	-	-	41,203
Equipment	1,705,873	-	(58,270)	1,647,603
Total Depreciable Capital Assets	3,251,071	-	(58,270)	3,192,801
Less Accumulated Depreciation				
Buildings and Improvements	(415,243)	(30,344)	-	(445,587)
Infrastructure	(12,591)	(1,388)	-	(13,979)
Equipment	(1,230,216)	(98,398)	56,334	(1,272,280)
Total Accumulated Depreciation	(1,658,050)	(130,130)	56,334	(1,731,846)
Depreciable Capital Assets, Net	1,593,021	(130,130)	(1,936)	1,460,955
Capital Assets, Net	$ 1,697,393	$ (130,130)	$ (1,936)	$ 1,565,327

Depreciation expense was charged to City departments as follows:

General Government	$ 27,471
Police	16,244
Fire	40,366
Public Works	37,977
Recreation	8,073
Total	$ 130,130

Note 6. Lease Obligations

Capital Leases. The City has entered into various lease agreements for equipment purchases. The terms of these agreements are capital in nature. The equipment under the lease agreements have total historical costs of $186,090 and accumulated depreciation of $113,616.

The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments as of June 30, 2014:

Year Ending June 30	Governmental Activities
2015	$ 39,299
Total Minimum Lease Payments	39,299
Less Amounts Representing Interest	(1,877)
Present Value of Future Minimum Lease Payments	$ 37,422

Note 7. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services, short-term non-operating subsidies and other miscellaneous transactions between funds. This activity is similar to lending/borrowing arrangements and outstanding balances at year-end are presented as "due/to from other funds". Balances between governmental or proprietary funds are netted when presented in the government-wide statements and reported as "internal balances". As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Proj.-2008 SPLOST	$ 79,516
Capital Proj.-2003 SPLOST	General Fund	22,067
Capital Proj.-2008 SPLOST	General Fund	72,242
		$ 173,825

Note 8. Accrued Vacation and Sick Pay

Employees are granted vacation and sick leave in varying amounts. Pay in lieu of vacation will only be made at June 3. Unused sick pay will lapse at June 30. No unused vacation days may be carried over to the next year. At year-end, accumulated vacation and leave amounts were insignificant

Note 9. Commitments, Contingencies, and Risk Management

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Aragon has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund (GIRMA) and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

The funds are to protect its members against liability or loss as prescribed in the members' contracts and in accordance with the worker's compensation laws of Georgia. The funds are to pay all costs against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages and there has been no significant reduction in the coverages.

Grants are subject to audit and adjustment by the grantors, mainly state agencies. Any disallowed expenditure could constitute a liability to the City. Such amounts if any cannot be determined at this time but are not expected to be material.

No legal actions by or against the City were in progress at year-end that would have a material adverse effect on Aragon's financial condition.

Note 10. Pension Plan

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan, the City of Aragon Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City established the plan effective December 1, 1983, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 65 years of age with 5 years of service. Early retirement is possible at age 55 with 10 years of service. Benefits are calculated at 1.75% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods. These amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, dated January 1, 2014, the estimated minimum annual contribution under these funding standards is $8,783.

According to the most recent annual plan valuation dated January 1, 2014, the recommended contribution to the plan for 2014 is $19,752 ($0 employee and $19,752 employer; 0% employee and 7.38% employer of covered payroll respectively), and for 2013 was $18,818 ($0 employee and $18,818 employer; 0% employee and 7.79% employer of covered payroll respectively). Covered payroll for 2014 and 2013 is $260,806 and $235,386 respectively.

Funded Status. GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual pension cost contributed and net pension obligation for the most recent two years.

Three-Year Trend information

Fiscal Year Ending	Employer Annual Pension Cost	Percentage of APC Contributed	Net (EOY) Pension Obligation
2014	$ 19,752	100%	$ -
2013	18,818	100%	-

Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning January 1	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded Actuarial Accrued Liability As % Of Covered Payroll (3)/(5)
2014	$ 406,848	$ 322,919	$ (83,929)	126.0%	$ 260,806	0.0%
2013	400,023	304,708	(95,315)	131.3%	235,386	0.0%
2012	383,864	300,607	(83,257)	127.7%	256,690	0.0%
2011	391,973	290,958	(101,015)	134.7%	238,502	0.0%
2010	368,069	263,619	(104,450)	139.6%	273,632	0.0%

Significant Actuarial Assumptions. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

Rate of return on investment	7.75% per year
Projected salary increases for Inflation	3.5% per year
Annual rates of increase in:	
Salaries	Table of rates based on age/svc
Future Social Security Wage Base	3.5%
Cost of living adjustment	3.5%
Post retirement benefit increases	Not applicable
Actuarial Methods:	
Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10 percent 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 are the same as those used in the preceding year.

As of January 1, 2014, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	3
Number of terminated employees entitled to benefits, but not yet receiving them	2
Number of Active Plan Participants	
Vested	3
Nonvested	5
Total	13

COMPLIANCE SECTION

P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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 Honorable Mayor and Council
Of the City of Aragon, Georgia

We were engaged to audit the financial statements of the governmental activities and each major fund of the City of Aragon, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Aragon, Georgia's basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Aragon, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aragon, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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. 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, identified as items 14-01, 14-02, 14-03, and 14-04 to be material weaknesses.

Compliance and Other Matters

As part of our engagement with the City of Aragon, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing

Standards and which are described in the accompanying schedule of findings and questioned costs as items 14-01, 14-02, 14-03, and 14-04.

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.

Williamson & Company
Certified Public Accountants
June 26, 2015

Finding 14-1 Segregation of Duties

Criteria: Local governments should have controls in place that either segregate certain job duties between employees or compensate for the lack of segregation among job duties.

Condition: As of the end of field work, the majority of the City's financial activities including receipts, disbursements, deposits, and payroll processing, were being performed by the City Clerk.

Effect: Material weakness in the City's internal control environment.

Cause: Lack of resources to support increased accounting staff.

Recommendation: We recommend the City establish some compensating controls that will help reduce the risk of material misstatement due to its material weakness associated with its lack of duty segregation. Ideally, the City will hire additional, trained staff. Some examples of compensating controls would be to outsource payroll processing, expand review and approval procedures for cash disbursements, and have an external accountant familiar with governmental accounting to review the City's books periodically throughout the year.

Finding 14-2 Records Retention

Criteria: Municipalities must maintain records which support their revenue and expense transactions.

Condition: Accounting records in support of City revenue and expense transactions are incomplete and/or incorrectly filed.

Effect: Inability to verify significant amounts of City transactions.

Cause: Lack of management oversight.

Recommendation: Those with primary responsibility for records retention need to understand what is required for adequated verifiability of City transactions, and there should be upper management oversight of these functions.

Finding 14-3 Accounting Oversight

Criteria: A deficiency in the design of controls exists when employees or management lack the qualifications and training to prepare interim and year-end financial statements in accordance with generally accepted accounting principles.

Condition: The City failed to exercise accounting oversight by not reconciling detail records to the general ledger and by not ensuring adequate records retention.

Effect: Incomplete records, inaccurate accounting records, unreconciled detail-to-general ledger accounts.

Cause: Lack of accounting oversight.

Recommendation: The City should evaluate the cost effectiveness of further staff training in order to improve internal control, and upper level management should take a more active role in the daily operations of city employees involved in accounting functions.

Finding 14-4 Capital Asset Records

Criteria: Municipalities are responsible for maintaining current capital asset listings.

Condition: The City has no internally-maintained records of its capital asset acquisitions and related depreciation, such as fire trucks, public works equipment, and police cruisers. The items listed here are not all-inclusive of what the City should be tracking.

Effect: The City cannot provide a comprehensive, current listing of its land, capital structures, infrastructure, and equipment.

Cause: Lack of management oversight in ensuring that such a listing is maintained as required.

Recommendation: The City should undertake to create and maintain such a listing, as required.

CITY OF ARAGON, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
Fiscal Year Ended June 30, 2014

Project Description	Estimated Costs		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2003 SPLOST					
Public Works Equipment	$ 116,661	$ 147,661	$ 173,750	$ -	$ 173,750
Police Equipment	35,170	35,170	24,527	-	24,527
Administrative Equipment	7,384	7,384	4,823	-	4,823
Sidewalks	90,785	45,785	-	-	-
Animal Control	-	14,000	9,168	-	9,168
Total 2003 SPLOST	$ 250,000	$ 250,000	$ 212,268	$ -	$ 212,268
2008 SPLOST					
Fire Dept. Vehicles & Equipment	$ 225,000	$ 225,000	$ 193,117	$ -	$ 193,117
Police Vehicles & Equipment	62,400	62,400	45,309	11,505	56,814
Administrative Equipment	18,200	18,200	-	-	-
Public Works Vehicles & Equipment	202,000	202,000	111,397	28,286	139,683
Total 2003 SPLOST	$ 507,600	$ 507,600	$ 349,824	$ 39,791	$ 389,614
2014 SPLOST					
Fire Dept. Vehicles & Equipment	$ 94,000	$ 94,000	$ -	$ -	$ -
Police Vehicles & Equipment	96,000	96,000	-	-	-
Administrative Equipment	186,000	186,000	-	-	-
Public Works Vehicles & Equipment	133,000	133,000	-	-	-
Total 2003 SPLOST	$ 509,000	$ 509,000	$ -	$ -	$ -

This SPLOST Schedule is prepared on the accrual basis of accounting.